The MAGAZINE of WALL STREET

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THE OUTLOOK

The Meaning of the Brokerage Failures—Railroad Stock Financing—Education and Those Who Need It—Federal Reserve Board Troubles—The Market Prospect

THE two words—Failures and Scandals—reflect with regrettable brevity the history of developments in Stock Exchange circles during the past two or three weeks. The progress made within the past ten days or more in digging down to the personalities and responsibilities of recent irregular practices has been considerable, and the situation revealed has been anything but flattering. For a time, the New York Stock Exchange was inclined to lay the entire blame of the situation upon the other and less respectable exchanges, but sudden announcement of the failure of large houses, the difficulties of at least one of which have been well known for a number of months without attracting any attention from Stock Exchange authorities, so far as the public is aware, seems to put the shoe on the other foot. Of course, all this is unfortunate, and raises the question what, if anything, can be done to relieve the conditions complained of.

The main fact to hold in mind in this whole situation is that the punishing of those who have been guilty of recent irregularities is no remedy for the existing problem. The conditions complained of developed without any let or hindrance, and there is no reason why they should not develop in the same way again, thus repeating the experience of past years. What is wanted is not the infliction of penalties upon a few guilty individuals, but the development of new conditions of speculation which will prevent the recurrence of such frauds and dishonesties at a later period. It is, of course, impossible to work out a plan which will be absolutely proof against unfair or doubtful methods on the part of individuals here and there, but it is entirely possible to correct the glaring abuses that now prevail.

Two main faults or defects stand out in the present stock speculation and investment situation:

1. Brokerage concerns can come into existence, receive money and do business under irregular and dishonest conditions, unrestrained by any inspection or oversight, with corresponding danger of loss to their customers. The mere fact that one of the exchanges makes real effort to safeguard against such conditions does not necessarily afford any check upon the others.

2. Brokerage concerns may become practically insolvent and yet go on receiving money and doing business for a good while, even exercising private banking functions and issuing letters of credit to the great danger of the customers of the houses.

These are evils that can easily be corrected. The banking community long ago worked out remedies for very similar dangers prevailing within its own limits. What is chiefly needed is a regular periodical inspection and examination by authorized agencies. In banking, such work is done by the national and state examination departments, but it is also done (and even better) by the Clearing House Associations. Second to such regular examination and inspection, is the need of regular and systematic publicity of such accounts and conditions. There is no reason whatever why a reliable business concern should not publish a satisfactory certificate of condition, obtaining such certificates either from the Exchange to which it belongs or from some duly constituted authority of the Government; or in lieu thereof publishing a bare statement of its condition, prepared by a reliable firm of accountants.

That these measures would be distasteful to many concerns in the "street" we can well believe, but that does not diminish the de-

sirability of introducing them. It is entirely possible to get the very best results through Stock Exchange action and without any intervention on the part of the Government, either national or state. But if some such system is not actually set on foot at an early date, there need be little doubt that governmental authorities will undertake the task for themselves.

RAILROAD STOCK ISSUES

THE new issue of $100,000,000 of stock announced by the New York Central Railway is interesting in a great many aspects. Perhaps the most conspicuous phase of it is seen in the fact that N. Y. Central has broken away from the apparent tradition or—one might almost say — inhibition which has rested upon issues of railroad stocks for a long time past.

So firmly has this inhibition become implanted as a principle of railroad finance that not more than one or two minor issues of railway stocks have, we believe, been placed upon the New York market for more than two years past. Such a situation could not last indefinitely, owing to the fact that the railroads were in many cases getting to the point at which their bond-issuing power was exhausted. N. Y. Central may not have been in that position, but probably would have reached it along with other railroads in due time.

It has long been perceived as an absolute necessity that, if the railroads were to prosper, they must reach a position enabling them to get capital through the enlargement of their stock issues rather than through the constant enlargement of bonded debt. The attitude of the Government and the embarrassing legislation placed on the statute books has been regarded by many as affording the real reason why no progress could be made.

New York Central, with its excellent earnings records of recent months, now puts this theory to the test. The answer is not exactly conclusive, because there are few roads that are in an equally favorable position as borrowers, yet it throws some light upon the possibilities of the present situation. Further enlargement of transportation systems is very nearly essential to maintenance of prosperity; power to sell stocks upon a legitimate basis is practically essential as a means of securing the funds with which to enlarge transportation systems. This gives the new issue a broad economic bearing.

COMMODITY PROBLEMS

IN recent stock market recession, it has been interesting to see an old rule once more reapplied. Experience of past years has demonstrated that overproduction and accumulation of goods, particularly when prices were high, was a sure road to depression with ultimate loss; due to the fact that, as goods accumulated, prices were promptly cut back. This has again been demonstrated by experience in oil and other commodities during the past two weeks. Time enough has now elapsed to get a rather better perspective as regards the situation than could be gathered at any earlier date.

Such a broad survey shows that the recent decline in business started with those lines in which overproduction had taken place, and is proving to be most serious in those same branches. Particularly does this now seem to be true of the oils, in which an unquestionable oversupply had been developed. Stock dividends and even cash dividends proved an insufficient stimulus to the market to keep its courage up, and the effect was to drives prices sharply downward as the quantity of oil on hand grew larger. Somewhat the same situation has developed in a few other industries, with the result that suspension of production is now necessary—fortunately upon a moderate scale only. But the experience should once more enforce the lessons already learned as regards the effect of producing too much and trying to keep prices too high. Consumption eventually falls off, and when that condition has developed the inevitable result is to bring about reaction with corresponding effect upon securities, no matter how much the latter may be "boosted."

A VANISHING MARK

THE decline of German marks to a level below 166,000 to the dollar places that currency in practically as absurd a position as the Russian ruble, the old Austrian crown, the Mexican "Infalsicable," and other paper units which have fallen to a purely nominal and imaginary figure. Germany by her currency policy has practically confiscated the entire wealth of the middle-class, the great body of savers and small investors who thought they had laid up something against a rainy day, but who now have to meet the rain as best they can without any protection. Foreign investors or speculators—chiefly Americans—have borne their share in this loss, because of the enormous quantities of marks they from time to time have purchased in the hope of a large profit later on.

All this is bad enough, but the fact is now evident that there can be no real recovery in Germany without the introduction of some new currency standard which shall take the place of the old and impossible paper that has now gone out of use just as it has disappeared as a standard of value. Germany today is working largely upon a foreign cur-

rency basis, in so far as private business transactions are concerned, and the next step to be taken will be that of shifting public finance to a new currency basis as well. That this will have to be done in the near future need not be doubted. When the time comes for such a step, it should be accompanied by a plan for the reform and restoration of the German banking system and for the introduction of an entirely new currency base.

That perhaps cannot be successfully accomplished save through complete alteration of the plan of reparations. That should be plain to the Allies by this time. Both in the interest of the Allies themselves and of their German debtors it has become imperative to bring about a complete readjustment of currency and banking in Germany.

SECRETARY MELLON'S JOURNEY

THE Secretary of the Treasury announces a forthcoming visit to Europe largely, of course, for "vacation," although it is announced that some incidental inquiries may be made "on the side." What these will cover is not made known, but there is a good deal to which they might apply. We should suggest that Mr. Mellon look into the working of the present debt-funding law and satisfy his mind as to the approximate date when France and Italy would be able to begin actual interest payments under some agreements to be negotiated by the commission of which Mr. Mellon is chairman.

Having satisfied his mind on this minor point, the Secretary of the Treasury might glance at the present state of European banking with special relation to the trade balance of the United States. He should inquire how the existing inflated price level and the high tariff rates of the United States affect our competitive power abroad, and how far it would seem likely that foreigners are in a way to become reconciled to our present immigration law.

Incidentally, it would be very well for him to examine briefly into the reasons why American bankers are not able to compete in international financing with those of Great Britain. Having satisfied his mind on all these points, he might as well bring his vacation to an end and hasten back to the United States with a view to putting into effect what he had learned abroad.

Unfortunately, it is not Mr. Mellon who needs this kind of "education" most. It is the other best minds in the Cabinet that require enlightenment, but are not likely to get it. Instead of visiting Europe, some of them are traveling on junkets hither and thither, while others are out laying political wires and engaged in political fence building. It is regrettably true that in this world those who need education most seldom get it, while those who do not need it very badly have the largest access to it.

STILL "OUT OF COMMISSION"

FROM week to week, the scrutiny of Federal Reserve statements seems to show that the Reserve System is still out of commission and is rendering but little direct service to the financial and business community. This need not be considered at all surprising, since the policy of the System has steadily been that of avoiding any responsibility for existing financial and business problems. The System neither financed the trade expansion inflation of the past winter and spring, nor has it been responsible for the more recent recession. There seems to be little ground for thinking that it will have much relationship to the financing of the agricultural business of the country during the coming autumn and winter, unless there should simultaneously be a great growth of commercial demand, which is not now expected.

Undoubtedly the Reserve System is at present like a powerful engine which is held out of commission in some warehouse or powerhouse ready to be "connected up," if necessary, with the consumer, but is entirely unable to exert its influence until that is done. The Federal Reserve Board has recently been "filled," but is to be partially emptied again due to the protracted absence of its chairman during the summer months, while it is expected to go into a comatose condition along with other Government bureaus during the absence of the President and the other higher officials of the Administration from Washington. "So runs the world away," and so our financial system is left to run itself, although unfortunately under conditions which prevent it from assuming and exercising the responsibility for this self-management which it ought to assume.

MARKET PROSPECT

CONTINUED pressure during the past two weeks has brought out further liquidation of securities. The downward trend has been equally accentuated in the commodities markets, indicating the fundamental nature of the declining movement. At the present, uncertainty regarding the business outlook and the rapidly approaching crisis in Germany are the deciding factors. While a number of securities are relatively attractive after the long decline, the prevailing uncertainty indicates the advisability of continuing out of stocks. We therefore continue to advise our readers to remain in a liquid position. Monday, July 2.

*A Knappen-Interview**

Gray Silver, Farmer-Economist Calls on Bankers to Save American Farmer from Ruin!

Gray Silver is an outstanding figure among the leaders the remarkable "farm movement" of the last five or six years has brought to the top. It is indisputable that he has had more to do with national legislation these two years past than any other man in or out of Congress. The "farm bloc" was his realization if not his conception. He is a farmer and fully understands the psychology of farmers, and when he says that governmental price fixing impends, it may be taken that he knows. Likewise, his suggestion to bankers that they can prevent the catastrophe by a little special activity in the line of their business is entitled to respectful consideration.

* * *

GOVERNMENT price-fixing of wheat and, perhaps, other agricultural commodities is admittedly impending. The demand for price-guarantees by wheat growers, already insistent, will become imperative unless nature intervenes between now and August 1.

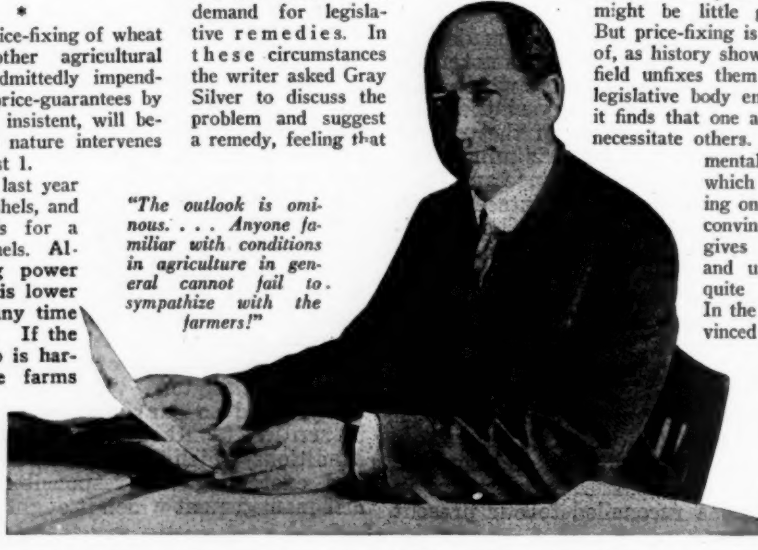
The carry-over from last year is about 110 million bushels, and the present forecast is for a crop of 817 million bushels. **Already the purchasing power of a bushel of wheat is lower than it has been at any time in the last fifty years. If the promised bumper crop is harvested wheat on the farms will drop to 60 cents a bushel, and its purchasing power will be pitiful.**

Reports received in Washington from the West indicate a state of mind bordering on desperation among the wheat raisers. Business paralysis in vast regions and political chaos are threatened. Senators and congressmen are in receipt of emphatic and even threatening demands for governmental intervention, and conservative leaders of farm organizations are losing ground every day.

Evidently No Choice Left

Statesmen and leaders who recognize the fallacy of price-fixing are in some cases beginning to waver under the pressure of political expediency, and a growing belief that the emergency will leave no choice is sensed in many directions. This situation plays directly into the hands of the powerful radical group in Congress which is intent on the realization of wholesale public intervention in business and industry.

The logical outcome of price-fixing will be more price-fixing so long as the radicals have any influence, and a carnival of socialistic legislation may follow, that will shake the whole business structure of the country. Many of the farm organizations are either yielding to the price-fixing agitation or are non-committal, but Grange and the American Farm Bureau Federation—that amazing colossus of agricultural groupings—still stands as a rock against government meddling with prices, although they recognize the gravity of the situation and the force of the demand for legislative remedies. In these circumstances the writer asked Gray Silver to discuss the problem and suggest a remedy, feeling that



"The outlook is ominous. . . . Anyone familiar with conditions in agriculture in general cannot fail to sympathize with the farmers!"

the man who planned and drove through Congress some twenty-five measures bearing on agriculture, is especially qualified to deal with the subject.

"The outlook is ominous," said Mr. Silver, "and anyone who is at all familiar with conditions in agriculture in general and just now with wheat production in particular cannot fail to sympathize with the hard-working men who in desperation are turning to governmental assistance in the matter of prices. In justice to them it should be pointed out that practically none of them favor governmental price manipulation as a permanent policy. Their position is that, as it was artificial measures during the war that are largely responsible for the present over-production of wheat, artificial corrective measures are in order.

They want the government to act as a shock absorber while they step down from excessive to normal production. They feel that with the co-operation of the government the process can be accomplished without public loss or injury within two or three years and with the effect of rescuing a large part of the agricultural producers from ruin. Otherwise, they argue, it will take ten or fifteen years, marked by acute distress and commercial stagnation, before things will right themselves. Hence, they infer a public interest that justifies an extraordinary extension of governmental functions.

If one could be assured that the government can do what the wheat farmers demand as easily as they think it can, there might be little ground for opposition. But price-fixing is a hard thing to let go of, as history shows. To fix prices in one field unfixes them in others, and once a legislative body embarks on the program it finds that one act breeds and seems to necessitate others. My study of governmental meddling with prices, which has been fatuously going on since 4,000 years B. C., convinces me that it never gives the anticipated results and usually results in some quite unexpected reactions. In the present case, I am convinced that the outcome for the farmers would be worse than the present situation.

No Leeway Left

"One reason for the present low-purchasing power of the farmer's dollar is that pretty much all that he buys is controlled by powerful organizations which are able to fix their prices in some sort of reasonable or even unreasonable relation to the cost of production, whereas he, for lack of similar organization, has to take what the other fellows are willing to give him. Now, if the government steps in and fixes the farmer's price on his products he will have no leeway at all, but will be rigidly held between arbitrary prices for what he sells as well as for what he buys. The moment he is guaranteed more for his wheat he will have to pay more for what he buys. The men who sell to him will be free agents, but he will no longer have any power over his prices. The next step would be to fix the prices of what the farmer buys with his fixed-price products—and then our whole system of private control of business would blow up with

* *Written for THE MAGAZINE OF WALL STREET by Theodore M. Knappen, Washington, D. C.*

all the deplorable consequences that would inevitably follow.

"You may say that the farmer is not a free agent now, when others are in a position to make prices for him both coming and going. That is true, but recent legislation places the power of self-emancipation in the farmer's hands. He is now free to meet organization with organization and achieve his economic due by virtue of his own power, without becoming a supine and volitionless ward of the government. It would be more accurate to say that he will be in the position of a potentially free agent as soon as the new rural credits system is in full running order and a system of crop insurance permits full realization of its advantages. But even now, with a little brotherly cooperation from the interests that depend so much upon his prosperity for their prosperity, he can meet the present situation and conquer it.

"By availing himself generally of his organization and co-operative rights the farmer is now in an economic power position that he has not known before. The farmers are now or soon will be in a position to market their non-perishable crops in an orderly manner throughout the year, instead of dumping them on the market at or soon after harvest. Through their co-operatives they will authorize a monthly distribution of products throughout the consumptive year.

"The records show that in the past, two-thirds of our entire production was thrown on the market within one-third of the year following harvest, and the remaining one-third before the first two-thirds was consumed; so that not only was the relative price level destroyed by the first movement but was kept down throughout the consumptive year. Now, however, when harvest time arrives, with the placing of crops in warehouses which the present law authorizes, after proper inspection and certification by the Department of Agriculture, and then securing our credits through the warehouse receipts and the new intermediate credits system conducted by the Farm Loan Board, we are in a position to release our products as and when the consumptive demand, rather than the speculative market demand, call for them. In this way we shall avoid breaking our price levels and thus begin with a better market at harvest time and carry it on a higher plane throughout the year, with great benefit to the producer and without harm to the consumer.

"Whenever there are exceptionally large crops and more than a normal carry-over, the latter will be in the farmer's hands and he will be well aware of its burden, as is not the case when he has parted with it early in the season, and his natural reaction will be to adjust his acreage so as to offset the carry-over at the next crop year's termination. In this way balanced production and consumption will be secured and we will be protected from the irregular speculative markets and the unhappy train of circumstances that follow in the wake when farm products sell at or below the cost of production.

"The conjunction of circumstances offers our bankers an opportunity to serve themselves, their clients, the farmers and the country at large. . . .

"Have they the vision . . . or will they let the people perish?"

"About all that can be expected from government price-fixing, regulating, stabilizing or whatever pretty name you please to give, it is that it will save the farmers from farther losses—assuming that it can do anything. You will notice that the authors of some of the bills recognize that the plan must provide at the start for its own termination and they contemplate prices, which by gradual manipulation will discourage the growing of surplus crops. Lavish prices can not be expected from a program of gradually discouraging production. Moreover, public opinion will effectually check any tendency toward liberal prices, even if it should tolerate price-fixing as a measure of philanthropy.

"To get out of the hole he is in the farmer needs more than bare living prices. He needs prices that will give him margins not only to meet the requirements of a decent and increasingly better standard of living but to enable him, without grinding and crushing deprivation, to pay off the billions of dollars of debts he has accumulated in the last three hard years. He can realize that sort of prices—the prices the other fellow aims to get right along, and does most of the time—by having something effective to say about them himself; not by leaving it all to the government. He must take government help or rely on self-help. He can't have both, for they don't go together in the nature of men. The choice is between niggardly alms and just prices fully earned and freely held through collective organization in a world of organization.

"The conjunction of circumstances offers our bankers and other custodians of investment funds an opportunity to serve themselves, their clients, the farmers and the country at large. If with their help, pending the full functioning of the new credit system and the necessary further complementary organization of the farmers, the wheat producers can be so financed that they can carry the surplus themselves and dispose of it in an orderly manner during the next two years, they can afford to cut down their wheat acreage next year and rest and restore the unused acres. They will get much better prices for their present crops and still better prices for the following crops.

"Here is an opportunity for our bankers to demonstrate the solidity of their increasing volume of talk about their public duties and responsibilities, and definitely lift themselves in public esteem.

"Let them get behind the new intermediate credits system with a determined will, instead of procrastinating until it is forced upon them by further organization of the farmers, and they can save the wheat farmer from impending ruin and the nation in general from what that means for it. They may accomplish even more than that, for I want to tell them that price-fixing 'waits without' for wheat—and also for other agricultural products—and that once that sort of governmental meddling and muddling starts there is no telling where it will stop. Some of the many bills before Congress propose to tap the national treasury for as much as $1,000,000,000 for the purpose of valorizing wheat and other commodities, and if successful will be only the fore-runners of like bills that will run into the billions for many varieties and conditions of governmental control and ownership madnesses. When the government gets to financing all sorts of cats and dogs there may be other activities that will be more profitable than banking. Without the chance of a loss of a cent and with substantial remuneration for their services our bankers can now save the day for the farmers and the farm regeneration movement—and, perhaps incidentally, themselves. Have they the vision of leaders or will they, in the Biblical phrase, let the people perish?

What's the Matter With the Market?

A Review of Underlying Conditions Affecting the Securities Markets

By E. D. KING

THE distressing events in the stock market during the past few weeks which have been reflected in a paring down of stock values, in some instances over 50%, have naturally found equal reflection in the growing discouragement and pessimism of the investing classes.

To what extent, the downward action of the stock market has been due to changing business conditions and to what extent the decline has come about through unsettlement caused by the recent brokerage failures, is difficult to state in terms of exact measurement. There can be no question, however, that the combination of the two factors have reinforced the declining tendency of stock prices.

Nevertheless, to the analytical mind it could have been desired that the brokerage failures came at another time than when they did for all they did was simply to obscure the real, underlying reasons for the broad downward movement. **The fact seems to be that prices would have settled on lower levels, even without the stimulus given by the brokerage failures.**

Since October last, we have been in a bear market. The market averages at their highest point which culminated in that month stood at about 93. They were never reached since though in March, the averages came within a fraction of duplicating their old peak. Since March, the trend has been decisively downward though there have been several good-sized technical rallies during this period. The averages (June 28) are about 79. The attached graph will give a good idea as to the trend of stock prices. No one will assume, from looking at this graph, that we are in a bull market, or have been for a good many months.

Underlying this change in market conditions, has been a change of some dimensions in business conditions. Production in many lines has slowed up, the building boom seems to have received a partial quietus, the action of the prices of farm products is distressing, buyers are rather loath to make commitments on an extensive scale and prices have stumbled.

The picture has thus changed from that of the earlier part of the year when production was steadily increasing to the tune of rising prices and a boom of incredible proportions seemed to be in the making.

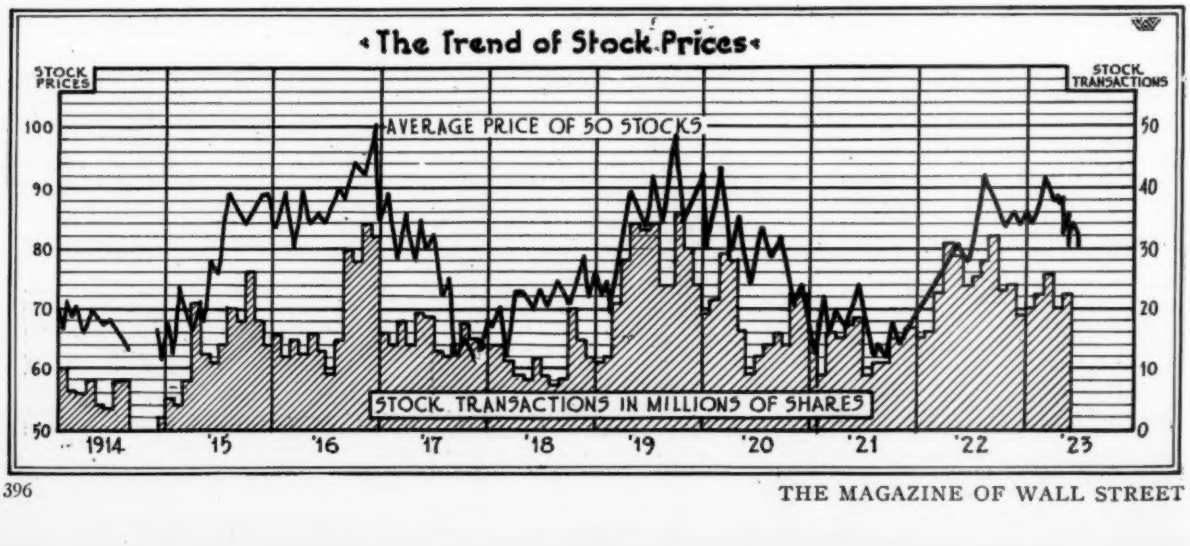
Now we have a situation where it is quite apparent that the utmost we can expect is continuation of a fair amount of business activity, marked by decisive slumps in some industries and perhaps maintenance of comparatively satisfactory conditions in others. In other words, business conditions will assume more and more of an irregular aspect. Under these circumstances, some branches of the stock market may be expected to give a better performance than others. For example, the public utilities which are now under the influence of favorable conditions, inasmuch as prices are no longer rising, should at least be stabilized. The railroads, too, though they may lose somewhat in merchandise shipments, should witness a more profitable year than for a considerable period. Such more or less isolated industries as paper, moving pictures and chain stores will most likely be unaffected by the prospective change in general business conditions.

On the other hand, key industries such as steel, copper, coal, shipping, agriculture, automobile and building do not appear in a promising position and securities representing these industries cannot be expected to do any better in the stock market than they are now doing, until there are prospects for a considerable change for the better.

The stock market, in other words, is discounting a change of more or less importance in the business situation. This change does not promise to be halted in the very near future and until there are signs of a turn in the opposite direction, the securities markets will undoubtedly continue to reflect the results of this underlying pressure.

Undoubtedly a great many stocks are approaching a position where they can be considered attractive for long-range investment, but in a broadly declining market values are many times disregarded and the investor who picks up a stock at what he considers bargain levels may be disconcerted by having his stock decline for another ten or fifteen points. It is for this reason that THE MAGAZINE OF WALL STREET has continued, during the past few months, to advocate a policy of refraining from speculative commitments on the part of its readers. If this policy has been followed, it obviously has placed our readers in a good position to take advantage of real opportunities when they materialize.

The question as to what's the matter with the market, therefore, can be answered by pointing to the change in underlying business conditions. Furthermore, a typical bear market, such as the one now current, always results in scaring off stock buyers with the result of reducing the supporting elements of the market. In such a case, stocks frequently sell far below their intrinsic values, as measured by assets and earning power. Such agitation gives the professional element an opportunity to work almost at will in the stock market. Under such conditions, a more or less artificial state can exist for long periods. That is the kind of a market we have been having for the past few months. For a change for the better we have to wait for signs of a genuine improvement in business conditions.



Your Broker

(1) WHY, if he conducts a legitimate business, he is entitled to your confidence and respect

* * *

(2) HOW you can determine whether or not he IS conducting a legitimate business.

By W. SHERIDAN KANE

THE fundamental of all business is confidence—faith in the stability as well as in the integrity of those with whom we traffic or whom we engage as our representatives. That is why the recent suspensions of such firms as Knauth, Nachod & Kuhne, and Zimmerman & Forshay created a condition of the public mind that for a time seriously menaced confidence in the financial structure.

Not merely was it the man on the outskirts of or even remote from the financial district who began to doubt; but men actually in the inner circles, catching each others eyes, read the startling query: "Who next?—what next?"

For three quarters of the century "K. N. & K." was a name to conjure with in the world of finance; for a half century "Z. & F." ranked almost with "K. N. & K." in the public estimation.

No wonder men ordinarily of calm reasoning joined the mob of narrow thinkers in throwing away the securities they had been carrying! No wonder that for several days the dominant figures in the banking world hesitated whether to lend support to the situation! Had loans been extensively called by the principal banks, the demoralization in the stock market might conceivably have resulted in chaos, and a blow struck at the business body from which it might not have recovered in several years. One has only to look back and see how in other times incidents of less import than this through which we are passing have prostrated the industrial structure.

To make matters worse, or rather what helped to make matters appear as bad as they did, the failures of these two houses were preceded by the failures of a number of brokerage houses which were not members of the New York Stock Exchange, which had no particular standing in financial circles, but which were fairly well known to the general public because of their extensive and intensive advertising—and which were sensationally presented to their readers by a public press seeking to gain from additional circulation what it stood to lose from the loss of advertising.

The Fuller Scandal

At the same time that E. M. Fuller and his partner, McGee, were pleading guilty in court to the charge of conducting a bucket shop, other bucketeers were being brought to trial, and the newspapers daily contained columns of testimony before referees in bankruptcy regarding the disappearance of assets of failed bucket shops and of Consolidated Stock Exchange firms, whose president also was engaged in an effort to explain his apparent connection with the Fuller firm.

The questions uppermost in the minds of many investors today is: Is my broker keeping a bucket shop? How am I to be sure my broker is doing a legitimate business?

These questions are indicative of the fact that confidence in many quarters is lacking between client and broker—a condition that should never exist and which must be removed if normal conditions are to be restored and the security markets resume their proper functioning, not merely as a place in which securities may be bought and sold but as a guide and barometer of the future trend of industry.

As a matter of fact, there is no reason for lack of confidence either in the fundamental soundness of American business or in the stability of the financial structure.

The failures of Knauth, Nachod & Kuhne and Zimmerman & Forshay were unfortunate occurrences, magnified ten thousand times in the public perception because of the series of disturbing events dating back some eighteen months.

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Let us see why the statement is true that there is no real reason for withdrawing or withholding confidence from your broker, and let us examine also into the ease with which your broker may be checked up not merely through the ordinary mercantile reporting agencies, but by observing the record he has made for you in the past—the manner in which he has executed your orders, the methods he has used in encouraging or discouraging commitments by you; in short, his business methods.

Past Reform Efforts

Two years ago I began an inquiry into the extent of the bucket-shop evil, and in November, 1921, in THE MAGAZINE OF WALL STREET, commenced to expose the new methods of illicit brokerage. In the several years that had elapsed since the previous cycle of bucket-shop crashes, laws of all kinds had been passed and regulations of all sorts devised by the Exchanges and others for the purpose of preventing a recurrence of criminal bucketing.

But "where there's a will there's a way," and the highwaymen of the financial world were not long in working out methods for circumventing the authorities both legal and Exchange.

The exposure of the 1921 situation enabled hundreds of thousands of security traders and investors all over the country to determine if they were dealing through illegitimate brokerage houses. Bucket shops in every principal city in the United States closed their doors. The total number who failed can only be approximated, for many of them were merely small local houses with no exchange connections of any kind, but it is safe to say that the number of "casualties" was somewhere between three hundred and five hundred. A few brokerage concerns that had been rated A-1 went down with the others. Not all of these few were bucket shops. In the commercial world there are frequent failures and occasionally a legitimate brokerage house runs on the rocks as a result of poor navigating or inaccurate charts.

Broadly speaking, there is no reason for a legitimate broker to fail, at least to the hurt of his clients. Briefly, in buying stocks for investors the broker receives the full amount of the stocks plus the amount of his commissions and taxes. In marginal transactions, he receives a portion of the purchase price from his customer and uses his own capital to complete the purchase, regaining his own capital by hypothecating the securities with a bank. Therefore a legitimate broker theoretically is in this position at all times. He has his own capital free; the stocks he is carrying on margin are in banks as securities for loans to the amount of the difference between the marginal deposit and the cost of the securities. He receives commissions from his customers and out of these he defrays the expenses of his business and has his own profits. Should the securities decline in marketable value, the banks will call on the broker to reduce the amount of the loan and the broker in turn will call on his clients to increase their marginal deposits. Otherwise, the broker will simply sell out the securities, pay off the bank and re-

turn to his clients or place to his clients' credit whatever may be left of their original margins.

If business is poor and expenses exceed income from commissions and such profit as the broker may legitimately obtain by charging his clients a higher rate of interest than he himself paid on his loan, the broker finds himself forced to cut into his own capital. It is not essential that the broker keep his capital always in cash and that is why poor business judgment will sometimes force an honest broker into bankruptcy. He may place his capital into securities he regards as gilt-edged only to find them depreciating in value, forcing him to take a loss when necessity requires that he convert them into cash; or he may have his capital funds on deposit with a bank which may go to the wall; or he may be the victim of an embezzling employee—there are in fact any number of ways in which a genuine broker, observing all of the laws and evading none of the regulations of Exchanges, may come to grief.

With this phase of brokerage failure we are not particularly concerned in this article, but it is essential that the reader understand that *every broker who goes to the wall is not to be classed as a bucket-shop keeper.*

The trouble is, the crusade against the bucket shops was overdone by the daily newspapers. Looking always for ways of increasing circulation, they jumped at the revelations of bucket-shop methods as a hungry trout leaps at a fly—sometimes. The men assigned by the newspapers to cover the situation knew nothing as a rule of security operations, were seeking only the sensational, and saw no difference between New York Stock Exchange firms of the highest standing and the thieving crook who was a member of no exchange and had opened his office with the sole purpose of fleecing as many of the unwary as he could induce to place orders with him.

What is a bucket shop?

How can a client determine if he is dealing with a bucket shop and not with a scrupulous, honest broker?

How may one judge a broker in advance of entrusting funds to him, and thereby avoid falling into the clutches of crooks?

If your broker is perfectly willing to carry stocks for you at a very small margin, or even importunes you to load up your account, you are pretty safe in saying: This is a bucket shop.

Persistent delay in obtaining reports as to the prices at which orders have been executed is another cause for suspicion.

No legitimate broker accepts discretionary accounts.

Above all, write the word "bucket shop" after the name of any strange broker who calls you on the telephone and, by pretending acquaintance, endeavors to wheedle you into opening an account with him.

A bucket shop is a gambling house equipped with brokerage machinery. In the old days you simply walked into a bucket shop and made a bet that a stock would go up or go down—whichever you pleased. If you traded on a two-point margin, which was not unusual, you were wiped out when the ticker showed that the stock had declined two points. If it went up two points you doubled your money. The bucket-shop keeper paid without question. He ran a gambling house and made little pretence of actually executing orders.

The term bucket shop was applied according to the accepted history of the term because the bucket-shop keeper was popularly supposed to keep a bucket under the counter into which all the orders were dropped—bucketed, in other words.

Elaborating Their Methods

As a result of the passage of laws against bucketing, and because of the strict regulations adopted by the Stock Exchanges, the bucket-shop keepers steadily elaborated their methods until today it is popularly believed that, in order to determine if a broker is a bucketeer, it requires the expert services of certified public accountants and a half dozen lawyers for a period of anywhere from six months to two years—and even after that only suspicious circumstances can be pointed to.

If you will recall the description I gave of what a broker does you will see that it should not be difficult to find out in practically no time if a broker is conducting his business legally and legitimately. One book will show just exactly the total number of shares of each stock he is presumed to be carrying for his customers. Another book will reveal how much cash he *should have* on hand, including his own capital. Other books must then show all of the shares actually on hand and the amount of the broker's capital actually on hand in the form of cash or securities. If the stocks are not in the broker's box, they must be in one of two places: at a bank as security for loans—in which case the books will have to show the disposition of the borrowed funds—or has been loaned out to other brokers—in which case the books will show the receipt and disposition of cash to the full market value of these securities.

That's all there is to that. Any Committee of Business Conduct can check up in jig time on any broker whom it may investigate.

Any public prosecutor or other official can do the same thing.

One of the Curb firms which recently went under always expressed a great willingness to open its books at any time to any investigating agency. But when an investigator for the Michigan Securities Commission asked to see three books, which would cover the points I have just discussed, he was curtly refused and practically told that only a court order would get him what he wanted. Five minutes before that the suave head of this concern was almost vehement in saying that the investigator had only to mention what he wanted and it would be shown to him. The broker had had much experience with official investigators, newspaper probers and others, and jumped to the conclusion that this particular investigator was as ignorant as the rest of them.

The investigator went back to Michigan, and, while I have not looked into this particular failure very closely, I do not believe I am far wrong in asserting that this instance was a very important factor leading up to the failure.

But how is the layman to know if he is dealing with a bucket shop?

Having no official standing, the customer cannot demand he be permitted to

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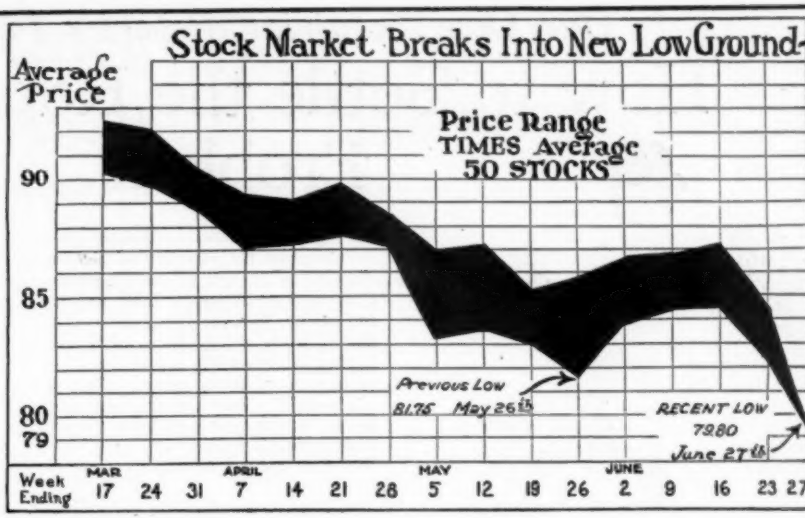
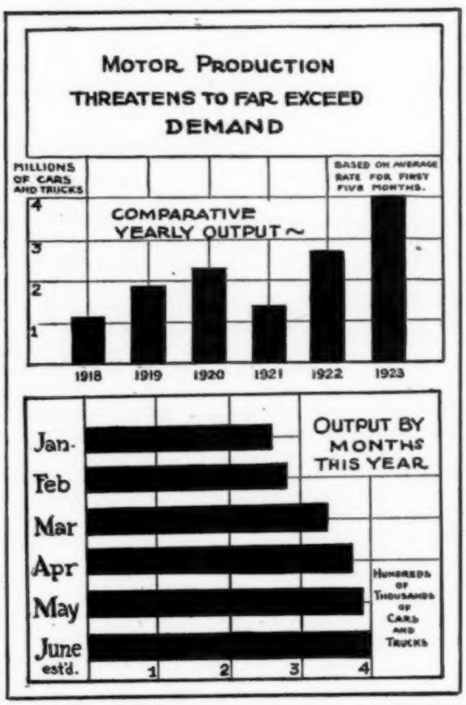
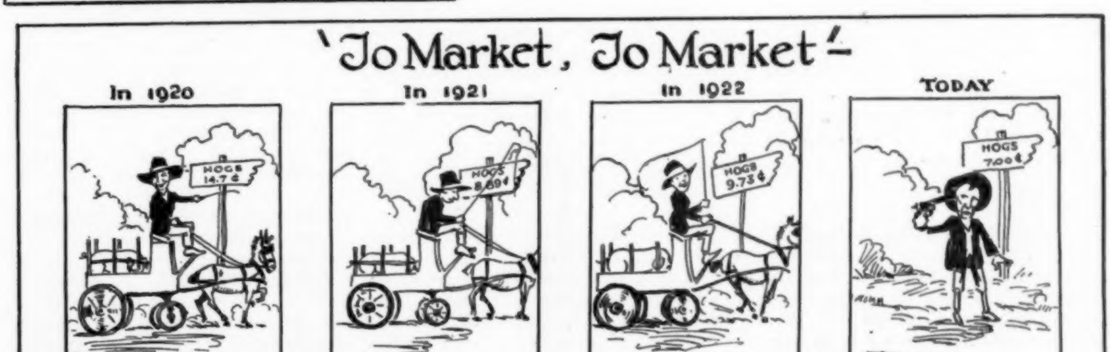
"Without the use of the telegraph, the telephone and mail facilities, the bucket shops would not have flourished these past few years; the crooked stock swindler would never have distributed his fake stocks to every town and hamlet in the United States; the security market today would be in far healthier condition; business would have better support; hundreds of millions of dollars that have been dissipated in riotous living or used to set bootleggers up in business . . . would still be in the possession of the original owners."

Features of Current Finance







Our Own Inquiring Reporter Finds Out

How to Settle the Reparations Problem

WE had been hearing so much about the necessity of solving the European problem, the reparations problem, the inter-allied debt problem, and the like, that one day we decided we could not longer put off our duty to the public. It was up to us, evidently, to get those embarrassing problems out of the way.

So one bright morning we stood at the corner of Broad and Wall Street, trying to look as if we belonged there, and buttonholed all the likely-looking passersby with the intention of getting a consensus of their opinions on the reparations problem, that being by all the accounts the one that needed fixing worst.

By noon we had talked with 1,237 passersby—office boys, Stock Exchange members, stenographers, executives, storekeepers, escaped convicts, bird fanciers, leather-goods manufacturers, tea tasters, journalists, dock laborers, and other experts. That made a total of 1,237 plans; and all we really needed was one!

We reproduce without comment some of the more striking of the suggestions offered us, modestly adding that they seem to be as good sense as most of the ideas that have come up so far.

Exhibit A
Mr. Saul Wright
U. S. Senator, Washington, D. C.

"There's only one way to settle the reparations problem. Tax 'em. Tax 'em till it hurts. Then tax 'em some more. Put a legislative corps on the job figuring out new taxes. Here are some suggestions that might prove useful:

1. *A mileage tax on sauerkraut.*
2. *Licenses for hot dogs, to be attached to their collars.*
3. *A mileage tax on all words exceeding fifteen syllables in length, calculated from the meridian of Berlin.*
4. *A punitive tax on all smart inventions such as automatic teeth-pullers, self-acting buckets for pulling cats out of wells, alarm clocks with toe-tickling attachments, and so on.*
5. *A tax on all titles such as Gymnasialpräsidenthofsanitätsoberregierungsverwaltungsallgemeinkünstlichemargarinefabriksinspektor, occupying more than ten lines of six-point type.*

"Other suggestions along the same lines can easily be worked out when these are exhausted."

* * *

A prosperous-looking individual with the traditional gardenia in his buttonhole, gold-headed cane, and almost if not quite wearing a top hat, supplied:

Exhibit B
John H. Turner
Twister & Turner, Bankers, N. Y. C.

"There is only one way to solve the reparations problem. Let the German Government issue a new funding loan, to fund all its internal debt, the internal debts of its municipalities and states, and its reparations debt. Then let it issue new paper marks against this debt, at the same time selling short in the principal foreign markets in foreign currencies against the new mark issues. The more new paper is issued the further the mark will fall, and the further it falls, the more profit the German Government will derive. The profits, being expressed in foreign currencies, will not themselves fall in value as the mark falls, and will be ear-marked for delivery to the Reparations Commission for payment on reparations account. In this way the entire reparations account will be cleared off in a few years."

* * *

A solemn-looking individual in a derby, carrying a portfolio from which protruded a few ends of chart paper, was next approached. He asked to be excused from any lengthy statement, as he was in a hurry, being on his way to the meeting of the Business Stabilization Committee of the Staten Island Ping Pong Club; but he nevertheless consented to furnish:

Exhibit C
Holden Steady
Tompkinsville, S. I.

"There is only one way to solve the reparations problem. Germany must stabilize its business, and once the wild fluctuations of its currency are abolished, it will be able to pay the reparations bill. It must stabilize the currency, and to do this it must stabilize its budget. It is also true that it cannot stabilize its budget without first stabilizing is currency, but the two truths, being equal and opposite, neutralize each other.

"There are several other things that need stabilizing in Germany. It must stabilize its foreign trade, which has been running against it, and it must stabilize its political situation, which has been showing considerable uncertainty, and it must, of course, stabilize its—well, its psychology, you know, of course, yes, by all means, its psychology. Excuse me, I must be off, I notice my watch has stopped."

* * *

After the stable one had departed, a short, fat-necked, red-faced gentleman was the next to be questioned. In explosive chunks of language and with quick jerky gestures he added:

Exhibit D
Jerry McAndrews
Truck-Driver in His Own Right, N. Y. C.

"There's only one way to solve the reparations problem. Embargo them, by God! Send an army into their country, billet soldiers on every family, blockade them, take the German books out of the high schools, make every Schmidt change his name to Smith, refuse to buy goods 'made in Germany,' don't eat hot dogs, abolish the German measles. If that doesn't bring more coal out of the ground, double the blockade!"

* * *

In transmitting these solutions of the most pressing problem of the day to the court of public opinion, we feel we have discharged our duty as a public-spirited citizen. We sincerely hope the various bank presidents, heads of real-estate associations, silk neckwear manufacturers, and others who have been expressing themselves on the subject for the last four years will not feel offended at our stepping in at the last moment to settle the question for them.

When Uncle Sam Enters the Forecasting Business

Or, Stinging the Tax-Payer With His Own Money

By H. PARKER WILLIS

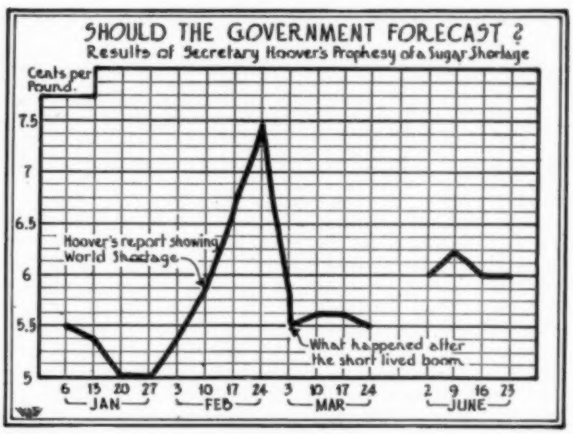
THE question of Government forecasting of economic, trade, and commercial conditions is an old issue that has existed for a long time past, and has lately been given special prominence by reason of the fact that there was apparently a fresh epidemic of this kind of work in Washington. Probably the desire to forecast the future is about as old as the human race, and in every generation has given rise to a good deal of fraud, the rank and file of the people being always willing to believe that someone has developed an infallible system for ascertaining exactly what is going to occur. Such a system has been claimed by some of the business cycle theorists who are now exploiting in new language ideas and theories that have for a long time been afloat in other forms.

Agricultural Prediction

For some reason, agriculture has always been the field in which forecasts or predictions found the readiest hold. This was partly due to the seasonal character of agriculture, and to the fact that, with the recurring periods of productivity, it might well be expected that other factors, such as acreage, weather, etc., would enable a parallelism to be drawn between present and past conditions. So there have always been agricultural forecasts, often without foundation.

A good many years ago, the Government became converted to the idea that it could predict yields of wheat, cotton, and other staples, by ascertaining the acreage planted, and thereafter reporting monthly the changes in condition. The result has been a continuous series of estimates of output; which, as time has gone by, have tended to become more and more unreliable, partly because the data for them were derived from the farmer himself, although he is always primarily interested in keeping the prospective output small, and partly because political considerations incline toward under-estimates.

These agricultural predictions have been greatly increased within recent years, and during the past season an extreme limit was reached with the effort to ascertain what acreage the farmer "intended" to plant. The data thus obtained furnished the basis for an additional Government report of "intended acreage," although for what purpose such a report can be used is still to be determined.



Of late years, there has also been a tendency to broaden the field of Government prediction, by taking it into industrial, commercial, and especially financial domains. Considerable effort has been made to forecast discount rates; financial officers of the Government predicting "tight" or "easy" money, as the case might be, and basing their assertions upon the "indications" received from banking sources.

Commercial predictions have also been numerous, forecasts being made of the changes in our balance of trade, of exports of gold and the like. Some Governmental statistical publications have even ventured to predict the amount of consumption of given commodities that was to be expected. It has even been stated that "normal consumption" could be forecast from figures obtained through a comparison of consumption during past years, particularly in proportion to population. From such figures, occasionally, price forecasts have been made; and, while the Government authorities who have embarked upon these hazardous lines of work, have frequently found the situation so dangerous as to feel compelled to withdraw, there is and has been steadily in existence a sufficient body of data of a "forecast" variety to show that the Government is systematically and definitely in the business of predicting conditions.

In encouraging this particular brand of work, the so-called business cycle theory has undoubtedly had a very important part. According to advocates of the business cycle idea it is practically feasible to foresee what is likely to happen and to name an approximate date when the changes contemplated will occur. This theory of business cycles, which has spread widely throughout the community during the past few years, has also been adopted in a considerable number of quarters on the part of the Government or of Government officers; and, although severe criticism of the theory in this extreme form, has from time to time been offered, it has never had the effect of driving the Government out of the business, but on the contrary the temptation to predict the future has been so strong that, if anything, there has been a steady progress in the direction of such prediction.

The outcome has, of course, been that those who issued such forecasts wanted to justify them if possible, and became inclined to interpret all further data received by themselves in a way designed to afford support for their own views so far as possible. Taken all in all, therefore, the effect of the business cycle forecast idea upon Government statistics has been a very extensive and a rather disconcerting one, leading in the majority of cases, to blunders, to disaster, according to the seriousness of the issue involved.

Limits of Work

There is a very distinct limit to the work that can advantageously be done by the Government (or indeed by any other agency) in forecasting trade and other movements of business. The Government is able to collect certain data in a more extensive and more authoritative way than individuals could hope to do. This is partly because of the great expense of such work, which the Government is, of course, far more nearly able to carry than any individual. It is partly due to the fact that various inquiries can be thoroughly and satisfactorily made by the Government which cannot be so made by any other agency. Altogether, therefore, the Government does well to extend the scope of its service in collecting facts, arranging and distributing them, and thereby furnishing to individuals a much larger and more trustworthy volume of information then they could possibly get for themselves unless they had the very largest resources which they could devote to such work.

Government effort of this kind places the man of limited resources much more nearly on a par with the wealthy man in so far as information is concerned, and thus tends to eliminate artificial advantages in doing business. **The harm comes when the Government which, of**

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Foreign Trade and Securities

What's Wrong with the Austrian Loan?

A Financial Solution of An Industrial Problem—Can Austria Recover While Customs Barriers Restrict Central European Trade?

By MERRILL T. JAMESON

IF you were ever interested in European securities, you will be held by this striking analysis of the Austrian loan, not only because it gives a good picture of the Austrian loan as such, but because it shows why there is so much doubt concerning foreign issues in general. It is particularly interesting to observe the similarity of the viewpoint of Mr. Jameson and that of THE MAGAZINE OF WALL STREET, *which for three years to the profit of its readers has endeavored to dissuade them from investment in new, insecure foreign issues.*

THE 25 million-dollar Austrian loan has gone over "big." A syndicate of forty-two banks, under the leadership of an organization bearing the greatest name in American international banking, oversubscribed the issue four times over in the fifteen minutes that the subscription books were open. Newspapers printed vivid pictures of wires overheated with orders from the Middle West and the Pacific Coast, of bankers standing knee-deep in order telegrams, of investors outbidding each other in the open market to get a chance at the bonds, so that the price went up a full point on the day of issue. We were told that by this magnificent gesture America had shown its will to help Europe, that now the road to financial recuperation had been made open and that now Europe was saved.

A Calm View

By this time the first heat of enthusiasm is over, and it is suitable to cast a calm appraising glance over the entire question of the loan and its probable effects. We shall not neglect the standpoint of the ordinary investor, desirous of seeing Europe out of its present financial slough of despond, but more particularly interested in the every-day common-sense question of how to invest his money so as to get a comparatively high rate of return with a comparatively high degree of safety.

The essential facts with regard to the loan are well known, but for the sake of convenience will be summarized here. The 25 million-dollar issue is part of a loan amounting to 650 million gold Austrian crowns or roughly 130 million American dollars, to be floated in various separate portions in about a dozen countries. The security back of the loan is, first, the income from customs receipts and the tobacco monopoly, second, the guarantee of eight European powers, three of which, Great Britain, France, and Czecho-Slovakia, guarantee each 24½% of the loan, as to principal and interest, while Italy guarantees 20½%, and while Belgium and Sweden each guarantee 2%, and Holland and Denmark each 1%, through the deposit of dollar bonds of the guaranteeing nations with the National Bank of Switzerland, which has the right to take up interest or principal of these bonds and use them for the payment of holders of the Austrian issues should Austria be unable to fulfill its obligations. Such a contingency, however, is said to be remote in view of the fact that receipts from the two specified resources of Austrian revenue in the first five months of 1923 are given as 30 million dollars, while the service of the debt requires only 13.6 millions.

It is worth noticing that the various announcements with regard to the loan, first the participation of J. P. Morgan & Co. (May 23), then the announcement of the completion of premilinary arrangements, then of the formation of a syndicate to handle the loan, and finally its complete oversubscription, do not seem to have aroused as much enthusiasm in Europe as they did here. If one judges the reception of the news by the business community, as expressed in the foreign exchange quotations of the financial pages of the newspapers rather than in the news or editorial columns, one obtains the following interesting comparison:

EXCHANGE QUOTATIONS

	May 23 (Announcement of Morgan Participation)	June 11 (Announcement of Austrian Loan Oversubscription)	June 30 (Most Recent Quotations)
Pounds £	$4.63	$4.61	$4.57
French Francs	6.66 cents	6.45 cents	6.12 cents
Danish Kroner	18.59 cents	17.72 cents	17.68 cents
German Marks	53,333 per dollar	80,808 per dollar	166,000 to the dollar

It may be that Europe has reached such a stage that it does not recognize salvation when it sees it. Or again, being somewhat closer to the actual scene of action, it may have more observation than faith.

The Trouble with Austria

There are some things to be said for the European point of view. In the last analysis, what has been the trouble with Austria? The answer is simple. Everybody who has been to Central Europe and has recorded his opinions on Austria has been in substantial agreement on one point: the trouble with Austria is that it contains a huge capital city, Vienna, of over two million population, built to be the administrative and economic center of a great economic unit, the old Austrian Empire. Now this unity has been broken up by the formation of a number of new states, Hungary, Czecho-Slovakia, Jugo-Slavia, Poland, and the distribution of former Austrian teritory to older states such as Roumania and Italy. This unity has not been reestablished by the formation of a customs union, without internal tariff barriers, but with customs walls on the outside only. On the contrary, each of the new states, and Austria itself necessarily in self-defence, have put up higher and stronger customs walls than ever before, have shut off and diverted the great stream of trade that used to flow through Vienna, and have sent it through Warsaw, Prague, Agram, and Budapest instead. As a result, Vienna has no visible means of subsistence, and the rest of the country being little but mountainous grazing land with a few luxury industries, the population has been condemned to starve. The Austrian government has tried to escape from its dilemma through printing paper crowns, until last September it was relieved from the necessity of so doing by obtaining various foreign loans in small denominations, all of which of course did nothing to relieve the real roots of the difficulty.

This much is the general consensus of opinion regarding Austria. This being the case, it is evidently a fair question just how the new big loan will do any more than

the previous small ones to relieve the situation by getting at its roots. Will it encourage new industries in Austria? Will it break down the economic barriers among the various parts of the old economic unity? Will it provide means for the withdrawal of the relatively huge population of Vienna (a capital of two millions in a country of seven millions) and find productive employment for the hundreds of thousands of ex-bank-clerks whose banks have gone under, of ex-Government officials whose duties are now being performed by the officials of neighboring states, of ex-employees of trading firms who are now cut off from their old markets by the new regime of Central European customs barriers?

What Austria Will Receive

The new loan is expected to do none of these things. All in all, the Austrian government is expected to receive 175 million dollars from its recent financial operations, of which 100 millions are to go to repay recent loans, and the 75 millions left are expected to be used in stabilizing the budget for the next eighteen months. After that, it is stated, Austria is expected to be able to balance its budget without further aid.

The aid given is thus to be financial, to be used in solving the financial problems of refunding short-term loans and balancing the budget. But at no point are the really vital elements of the problem attacked—the disproportionate concentration of the population in a capital city which has lost its usefulness; the inability of the country to provide foodstuffs for its population, and hence the necessity of an active foreign trade, as in the case of England; and the stoppage of this foreign trade through the erection of customs barriers by the former customers of Austria, now independent States with economic interests of their own to guard. These problems are economic and fundamental, while their solution is merely financial and superficial.

More than that, as part of the revenue upon which the bonds are based is the customs receipts, it is fair to assume that for the life of the bonds at least, that is, until 1943, the present Austrian customs barrier will not be lowered, but if anything, rather raised. And as long as Austria does not lift the barrier, the surrounding countries will not do so either in order not to put their maufacturers at a disadvantage compared with Austria's. Thus one great obstacle to the economic recovery of Austria, the existence of internal customs barriers within the old Danubian Confederation, is not only removed but actually confirmed for the next twenty years at least, the life of the new bonds.

Will "Crown" Be Stabilized?

As for the investment merits of the issue, it is hard to decide at this date, in view of the economic confusion that reigns in Austria. The last five months, according to the bond prospectus, have shown sufficient revenue from the two specified sources to more than cover the service of the debt, but it must be remembered that this depends solely on the fact that the Austrian crown has been stabilized, artificially, since last September. The present loan, it is estimated, will enable it to stabilize the currency for another eighteen months, and if the currency is stable the revenues behind the loan are safe.

At the end of the eighteen months, however, will the crown remain stable, and will the revenues be sufficient? The prospectus says they "should," but does not enter on the question in detail. No mention is made of specific measures to restore economic, as distinguished from financial, equilibrium in Austria, or to remedy the essential difficulties of the Austrian situation, as described above, on which practically all observers are agreed.

Shortly before the flotation of the American loan Chancellor Seipel of Austria in an interview described the steps taken to deal with the "terrible economic chaos" which, he says, "confronted the present Government of Austria when it came into power," and he had no motives whatever to understate his case, considering the circumstances. Yet all he finds to say is that the crown has been kept stable, 40,000 civil employees have been dismissed (whether productive employment has been found for them is not stated,) and the government is about to "effect a thoroughgoing reorganization of our railways and to reconstruct our traffic on a purely commercial basis. In this way," he added, "we expect to combat the causes of the State deficit."

These measures are perfectly estimable in their way, and to some extent may prove efficient in relieving the fiscal situation of Austria. The same criticism seems to apply to them, however, as was previously made—they do not touch the real root of the difficutly, the necessity of building up the foreign trade of a nation which cannot feed itself, and merely attach superficial evils. Since they do not touch at the real root of the difficulty, it is not an exaggeration to say that possibly the Austrian Government may not be able to stabilize its exchange, or balance its budget, when the eighteen months are over, and such being the case, it might not impossibly go into default on the new bond issue, especially as principal and sinking fund are payable in dollars. The further exchange should fall, if the stabilization effort breaks down, the more burdensome will the dollar debt be, and the harder to pay, because more crowns will be required to pay a fixed number of dollars than the stabilized figure.

In view of this possibility, the investor will be left with the guarantees of the previously mentioned eight European powers as his sole protection. Analyzing them one by one, we find Great Britain guaranteeing 24½% of the loan; in view of the present strong credit position of the British Empire, we may regard this portion of the loan as quite safe.

France guarantees another 24½% of the loan. At the present time, French credit in the New York market is on an 8% basis, as determined by the yield on the two issues of French Republic dollar bonds, the 8s and the 7½s, which are listed on the New York Stock Exchange. Compared with the yield of approximately 5.18% on the British 5½s, French credit would seem to be less well thought of in this market.

Czecho-Slovak Government credit, judging by the yield on the sinking fund external dollar 8s, is on a 9.91% basis, hence well under French credit, and this country likewise guarantees 24½% of the Austrian loan.

While there is only one Italian dollar issue on the New York market, and that an extremely short-term one, maturing in February, 1925, it is worth noticing that

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Money, Credit and Business

Business Inflation Ended

Normal Activity Still Well Maintained

THE striking factor about the present situation in business and banking is undoubtedly the fact that, whereas, the volume of production continues to be very large and the wages of labor high with employment substantial, the upward movement of prices has been arrested. Enough time has now passed, since the administration of a check to business, to show quite conclusively that there has been a distinct halt in the upward movement of values of commodities. This halt is shown by practical stability in price indexes since the beginning of May, while, for the early weeks of June, the drift has, if anything, been downward. It is probable that the entire month of June, when price indexes become available, will show a slight but definite recession. This outcome is not only interesting from the present standpoint, but remarkable as an element in the history of price movements. It illustrates the fact that there may be an effectual slowing down of values without necessarily bringing business to a halt in order to produce it.

Reaction on Securities

The check to the movement of prices can be readily traced in the accompanying charts, while in the same way it is possible to observe this one phase of the effect of this situation upon security values. As prices have come practically to a stop in their upward movement, the tendency has been to exert a reactionary influence upon the value of money and therewith upon the value of high-grade securities. There had been, while commodity values were still advancing, distinct tendencies to shortage of money which took form in steady upward movements of interest rates, both in the call and time fields. For the past month, these movements have been brought to a halt, and funds have been practically stable at around 5 to 5¼%. Loans have been in ample supply as needed, but there has been no surplus which by being "dumped" on the market tended to impair the responsiveness of demand. On the other hand, there has at no time been any tendency to stringency. Cessation of increase in commercial demand has naturally relieved the call for funds, and has brought about a condition of balance in which the amount available has been very well able to meet the calls for loans. Hence a decided growth of stability in the money market, and of generally corresponding stability in the position of corporation credit, the yield of good bonds of standard variety showing very little disposition to fluctuate, as is illustrated in the accompanying diagram showing the cost of corporation credit.

Where Is Production?

All this leaves the question: What is the status of production—of considerable immediate importance. The fact that prices have ceased to advance is by some regarded as a reason for the checking of production, business men refusing to manufacture ahead unless able to see their way clear to a profit resulting from the natural growth of prices.

It is not to be denied that there has been some recession from the "peak" which had been arrived at during the early spring. Forward orders for steel have fallen off as the diagram showing unfilled orders of the U. S. Steel Corporation clearly reveals. There has also been some slackening of forward orders in other directions, and when commodity prices have been regarded as extremely high there has been a slowing down which in some cases has led to the actual closing of mills, this being true in the textile trades and especially of the cotton industry where a number of suspensions have occurred during the month. A good deal of overtime work has also been discontinued. Most authorities continue to regard this development as entirely healthful, representing a desirable check to the excessively active production practically on a level with capacity which had made itself apparent earlier in the season.

Still it is a fact that slackening of price advance has caused or has been accompanied by slackening of increase in output. Thus the general theory of business recession has in a sense been justified because, as the indexes show, the usual and familiar symptoms of decline in certain branches of trade have made themselves apparent.

Reversal of Foreign Trade

Nowhere is the situation more evident than in connection with foreign trade. Figures for May have at length been available and they show that there was an adverse trade balance on merchandise account during that month of about $51,000,000. Taken all in all up to date, the adverse balance for the year thus far amounts to something like $137,500,000. This is at the rate of say $325,000,000 for the entire year, although it has not yet reached the point where payments on merchandise account necessitate an export of gold. On the contrary, the movement of gold is still largely inward as the May figures show.

This great increase of net importations, however, necessarily has some effect upon the activity of domestic manufacturing, tending to hold it down to more normal levels, and at the same time, of course, tending to some extent to restrict price advances which would otherwise have occurred. The present price level, in short, seems to have reached a level near the point at which there is equilibrium between domestic and foreign production; and, if this be true, the inference to be drawn from it would be that further advances of price would be restrained by an increase in importations which in its turn would tend to decrease the volume of orders going to domestic establishments. From that standpoint, the fact that the line of the diagram showing excess exports has now definitely dropped below the line of equilibrium, thus inclining to the recognition of a steady excess of imports is of very general business importance.

Foreign Exchange Situation

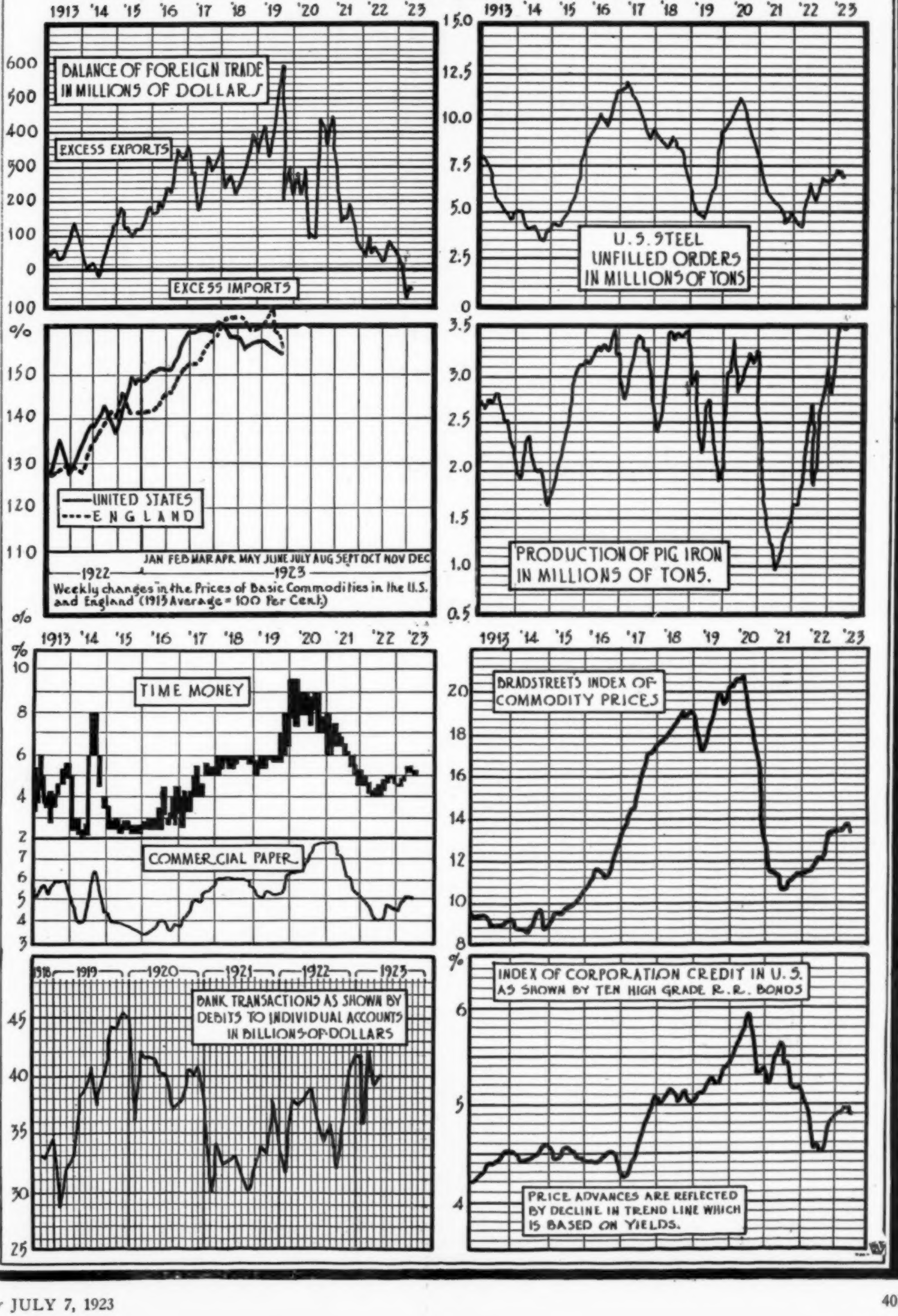
The relationship between the United States and foreign countries is still undoubtedly disturbed by conditions affecting foreign currencies and their values which necessarily tend to interfere with the normal movement of goods, and probably at present exaggerate the inward or import balance. The German currency has gone from bad to worse, marks falling from a former value of something like 50,000 or more to the dollar to a low point below 165,000 to the dollar.

At the same time the franc has been largely depressed, partly through sympathy with the mark, and partly because such factors as the Ruhr situation, which worked against the value of marks, tend likewise to work against a high value for francs. As for other currencies, they suffer more or less from the same factors, and in any case they have had little to sustain them of late, so that the alleged stimulus to exportation which comes from a depreciated currency has certainly had full scope in most of the European countries.

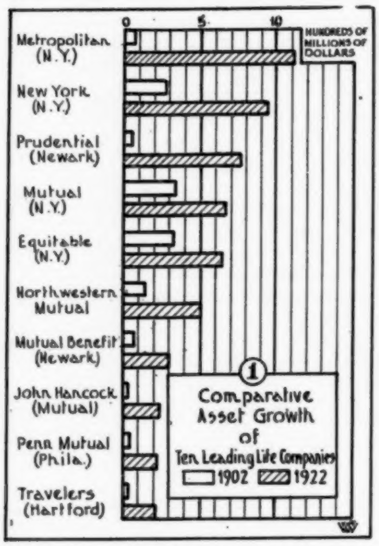
Just how far this has operated to aggravate the excess import balance of the United States, is a matter of opinion as to which no positive statement can be made, although all would agree that conditions were such as to produce some artificial influence upon import business, thereby tending to overdevelop it as com-

(*Please turn to page* 476)

THE TREND OF MANUFACTURE, TRADE AND COMMERCE



What Happens to the Eight
the Life Insurance



How the assets of 10 leading Life Insurance companies have swollen in the last 20 years, emphasizing the phenomenal expansion of the field itself.

EIGHT billions of dollars! That's a lot of money. In fact, it's just about twice as much money as the present supply of money-gold in the United States. It's about one-third of the combined capital—stocks, bonds and notes—of all the railroad companies operating in this country. It—but here! Mr. A. S. Wing, president of the Provident Life & Trust, has devised an enlightening method of suggesting just how much money eight billion dollars represents:

Imagine that Benjamin Franklin, just about the time he signed the Declaration of Independence, had set in motion a clock capable of counting $1.00 every second and, furthermore, of recording the grand total as it went along. Imagine, also, that Franklin had devised some means of keeping this clock ticking at the dollar-a-second rate *forever,* from the time it was set in motion—second by second, minute by minute, day by day and year by year. Said clock would record 31,582,600 dollars per year. And yet, today, 148 years from the time it started going, the mechanism would have reached a total of only a little over 4.6 billions of dollars. It would have to go on ticking, second by second, for nearly 80 years more before it would reach that eight billion dollar total!

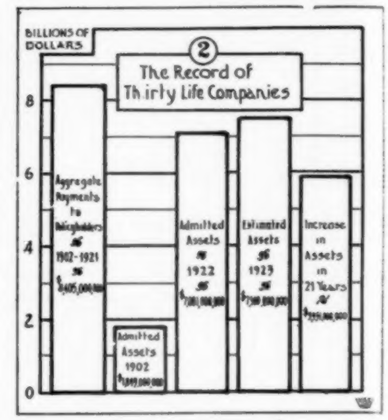
This is a colossal sum, then—this eight billion dollars—a sum that staggers the imagination, palsies the breath, and literally defies adequate definition. Recognizing it as such, be informed that is a very conservative approximation of the total amount of public funds, so to speak, held in trust for the public—the men, women and children—of these United States today, not by the national banks, savings banks and trust companies, not by all the mortgage loan and building loan institutions, not by the Government itself, but by our Life Insurance companies.

There is nothing illusory about this eight billion dollar figure, either. There is nothing exaggerated about it. Indeed, so far as accuracy is concerned, it will probably be found a conservative statement of the facts. As far back as 1921, the Admitted Assets of all American life insurance companies, by official count, amounted to seven and nine-tenths billions of dollars. The insurance business has never had two such amazingly successful years as 1922 and, thus far, 1923 have since been. No doubt, if it were possible to determine the exact amount of total assets held by the Insurance Companies at the moment, the result would show considerably in excess of the eight billion dollars we reckon with here.

That's what the Life Insurance companies hold. It represents moneys held in trust by them for about 50 million individual policy holders, or an average of about $1,500 apiece. It is growing, this total, as our charts suggest, at a rate little less impressive than the total itself, and there is no way of even conjecturing as to when, or at what point, the peak-total will be reached.

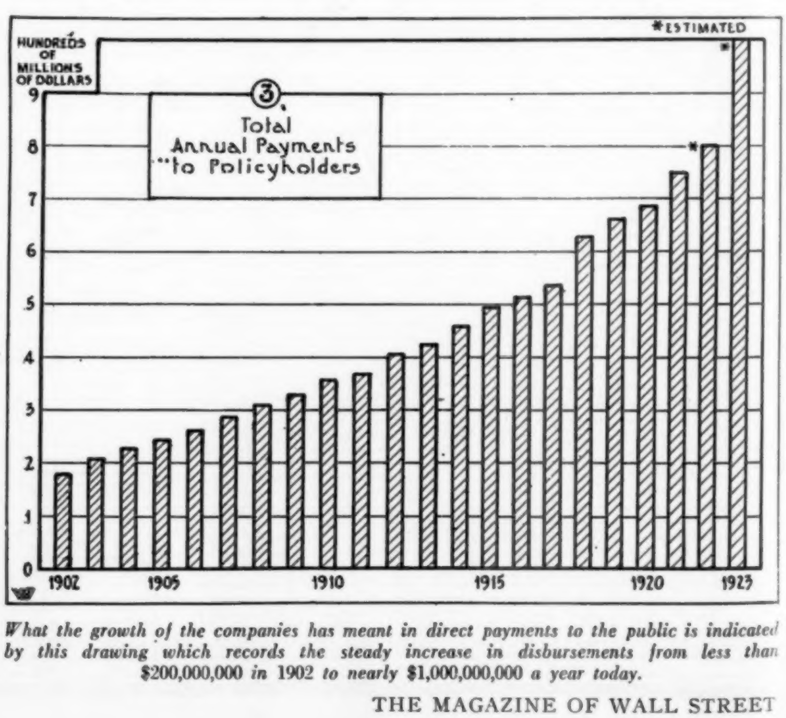
What do the Insurance Companies do—what *are* they doing—with this fortune of fortunes?

Note first (glance at Chart 3, if you



A picturization of the growth of 30 representative Life Insurance companies, bringing out the amazing increases in asset holdings.

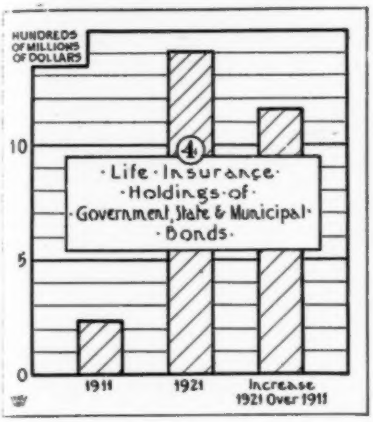
please!) that one thing which this expansion of their economic structure has permitted the Life Insurance companies to do has been to pay out to the policy-holding public sums which now must approximate very close to one billion dollars a year. It may or may not impress you to know that this sum of money would be sufficient to pay *all* the wages and *all* the salaries paid annually in the motor industry for a period of three years' time. It certainly ought to impress you when we note (Chart 3, once more!) that this rate of disbursements is *five times greater*



What the growth of the companies has meant in direct payments to the public is indicated by this drawing which records the steady increase in disbursements from less than $200,000,000 in 1902 to nearly $1,000,000,000 a year today.

Billions of Our Money Which Companies Hold

By Ralph Rushmore



Insurance companies, too, have cultivated a strong liking for "political" bonds, as demonstrated by the above comparisons.

than it was twenty years ago, and that, were the same rate of increase to continue, the Life Insurance companies would be disbursing, twenty years from today, at the rate of $50 a year per person per hundred million persons.

Obviously, these disbursements don't go to the public in general. They are confined to the far-sighted, future-planning annuitants, beneficiaries and security-holders who have identified themselves with life insurance affairs, in one way or another. But the number of persons who are identified, in one of these several ways, with life insurance affairs, and who do participate in the annual disbursements, is rapidly increasing:

In 1902, the total life insurance in force was 10 billions.

In 1912, the total was 19.5 billions.

In 1916, it was 24.6 billions.

Today, total life insurance in force certainly exceeds 50 billions.

In 1902, the total number of policies outstanding was 18 millions.

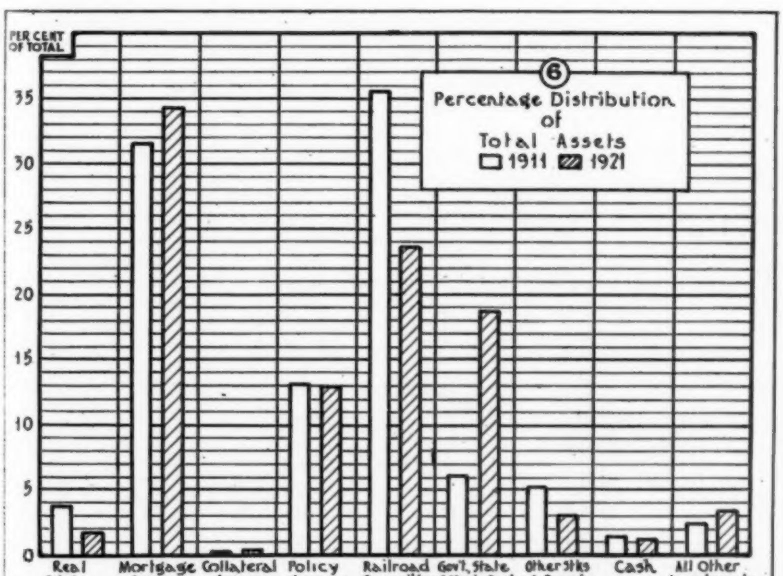
In 1912, the total of policies was 35 millions.

Today, the total number of policies in force certainly approximates 80 millions.

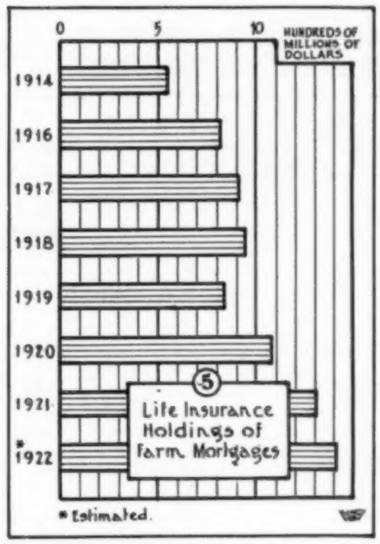
Very obviously, the number of individuals who are securing unto themselves the direct advantages arising from the growth of the insurance business is increasing by leaps and bounds. In fact, it does not seem over-imaginative to suggest that, in due time, the disbursements made by the Insurance Companies from year to year will directly enrich, in due proportion, certainly every family and perhaps every single individual residing in the strip of territory that we call our own.

The Indirect Beneficiaries

Huge as the actual payments made each year by our Life Insurance companies to various individuals undoubtedly are, and correspondingly great as the direct advantages to the people are too, they fade into insignificance beside the indirect advantages accruing to the country at large as the result of the huge Total Asset sum



Just what is done with Insurance Assets is revealed here. Note the decline in railroad holdings as contrasted with the increase in municipal, state and government bond holdings.



There has been no let-up in the demand for farm mortgages. As seen above, this type of investment has more than doubled in recent years.

mentioned at the outset of this article, viz., eight billion dollars.

Obviously, the Insurance Companies cannot afford to let their assets remain idle in old-fashioned things like cash-boxes and safes. To secure the best results for their policy-holders, to permit the continued expansion of their affairs, every dollar must be put to work *at the best rates obtainable.*

And for the protection of their profession, business, industry, or what you will, not to speak of their policy-holders, all these dollars must be placed where they will enjoy *the highest degree of safety.*

Thus, we have the Iusurance Companies, so to speak, confronted with the exact same problem that every individual investor encounters—the problem of securing the best results possible, consonant with safety, from idle, surplus dollars.

How have they solved this problem?

In the Beginning

In the beginning (as Chart 8 will show), the Insurance Companies displayed a very considerable partiality for Mortgage Loans. Since the "beginning," for our purposes, was as far back as 1860, the preference for mortgages then displayed needs little elaboration. Shrewd individual investors all over the country were also prone to discriminate in favor of mortgages, which were classified, although inverbally perhaps, as the highest investment medium of the age; and the Life Insurance Companies blazed no trail when they placed nearly 60% of their Assets in

(*Please turn to page* 454)

Railroads

Atchison, Top. & S. Fe	Chesapeake & Ohio	Southern Railway
Louisville & Nashville	Baltimore & Ohio	St. Louis-Southwestern

Candidates for Increased Dividends Among the Rails

An Analysis of Dividend Prospects for Six Important Roads

By JOSEPH M. GOLDSMITH

ATTENTION of investors is called to this article, which deals with three roads that are in a position to increase their dividends and three others that are in a position to commence payments on their common stocks. Action of N. Y. Central in increasing its dividend rate to 7% and that of Pere Marquette in placing its stock on a 4% basis would seem to be forerunners of similar favorable action on the part of other roads that are in a strong earning position.

No attempt is made here to forecast the possible future price of the stocks in question but merely to suggest the dividend possibilities as they appeal to the writer.

THE extremely heavy traffic which our railroads are carrying at the present time is producing large earnings for most of them. As yet there are no signs that the traffic movement will decrease materially during the current year. In the fall, when the peak is reached there is no doubt that the roads will handle the largest volume of freight in their history.

The traffic situation points to a continuance of satisfactory earnings for at least some months to come, and it is likely that a majority of the roads will show more net income applicable to their stock than has been true since pre-war years. This in turn raises the possibility of companies raising their rate of dividends, and of those not now paying anything, of placing their stock on a dividend basis.

Dividend Increases

The recent action of the New York Central, which increased its rate from 5% to 7%, and of Pere Marquette, which put its common stock on a 4% basis, has laid the foundation for rumors that various others might do likewise. It is unwise to be overly sanguine in any but a few instances, for it would not be conservative to establish dividend rates which could not be maintained in years when traffic conditions may prove less favorable than at present. A falling off in the amount of business obtainable would seriously reduce the earnings, both gross and net, which many of the roads are now showing. It is in anticipation of such a contingency, perhaps six months or a year hence, that the stock market is now giving indications of weakness.

There are some companies whose probable earnings in relatively unfavorable periods can support higher payments than they are now distributing. The expediency of a change in dividend policy is, of course, a problem for the directorate of each road to solve, and it is evident that any attempt to predetermine their decision is beyond the province of the analyst. However, unless they are confronted by hostile legislative measures, and the public interest as well as that of the carriers themselves militates against this, the ability of a number of the railroads to treat their stockholders more liberally, has been amply demonstrated.

BALTIMORE & OHIO

Baltimore & Ohio is one of the roads formerly very prosperous which was so adversely affected by the dislocations incident to the war period that it was forced to suspend dividends. It was the prevailing opinion that payments would be resumed in 1922, but the strikes that took place in the latter part of the year made this impossible. Upon the settlement of these labor difficulties the company gave evidence of a tremendous earning power. The high degree of industrial activity in the territory which its lines serve has led to very satisfactory operating revenues.

In view of this recovery it now appears merely a question of time until the company feels itself justified in resuming payments. The market price of the stock, which is now selling

ROADS THAT CAN COMMENCE DIVIDEND PAYMENTS

	*Net Oper. Income, Jan. 1—April 30. 1922	1923	Earnings Per Share 1921	1922	†1923	Dividend Rate	Price About
Baltimore & Ohio	$9,409	$14,524	$2.65	$1.50	$20.00	None	45
Southern Railway	6,563	12,164	Nothing	4.85	10.70	None	32
St. Louis Southwestern	833	1,384	9.16	7.62	11.60	None	30

ROADS THAT CAN INCREASE DIVIDENDS

	*Net Oper. Income, Jan. 1—April 30. 1922	1923	Earnings Per Share 1921	1922	†1923	Dividend Rate	Price About
Atchison	$6,390	$14,623	$14.69	$12.40	$17.00	6%	99
Louisville & Nashville	4,405	7,200	Deficit	‡9.60	‡13.10	5%	91
Chesapeake & Ohio	5,640	5,618	6.67	10.06	15.40	4%	62

* In thousands. † Estimated on basis of first 4 months. ‡ On present capitalization.

The World-Famed Rainbow Bridge
This natural bridge along the Santa Fe Railway is the largest in the world. It is 309 feet high with a span of 279 feet

around 45, has largely discounted a dividend of 4% and it is extremely improbable that a higher rate would be declared at the outset. Consequently little advance above the present price can reasonably be expected.

SOUTHERN RAILWAY

Southern Railway is now enjoying excellent earnings. The recent industrial development in parts of the South in which it operates augurs well for its future. Its financial progress since the depression of 1921 has led to frequently recurring statements that its common stock will soon be placed upon a dividend basis.

In 1922, net income equalled only $4.85 per share, but judging from results for the first part of the current year it will be at least double that figure. The present volume of traffic is abnormal and can hardly be expected to continue indefinitely, but even in the event of a recession the balance available for the junior stock issue is likely to be ample to cover a dividend of 4%. **At no time in its history have its common stockholders occupied as favorable a position as at present.**

ST. LOUIS-SOUTHWESTERN

Ever since the termination of government control St. Louis-Southwestern has done conspicuously well. In 1921, a year of insufficient earnings for most southern roads, it secured net income equal to $8.74 per share on its common stock after allowing 5% on its preferred, which was not paid. In 1922, the senior issue began receiving the 5% maximum rate to which it is entitled.

Due to the prosperity of the lumber and cotton territory in which it operates earnings this year are assuming record breaking proportions. If they continue at the present rate they will exceed $11 per share and the company is in a strong cash position. It has entered upon an extensive program of physical improvement most of the funds to defray which will come from earnings. This may make it necessary to temporarily postpone dividends, but the economies which should be effected as a result of this policy will eventually produce still larger net revenues. **St. Louis-Southwestern is quite capable of being placed on a dividend basis whenever the management no longer deems it advisble to put all the earnings back into the property.**

ATCHISON

The Atchison, Topeka & Santa Fe is properly looked upon as one of the premier roads of the country. The filling up of the sparsely populated territory into which it was first projected has transformed it from an unprofitable venture into a road of enviable financial solidarity. It has added to its facilities, to take care of the larger traffic that it has been called upon to handle, without any appreciable increase in capitalization. Additions and betterments during the last decade have been financed mainly out of surplus earnings. Profit and Loss Surplus Account rose from 20 millions in 1915 to 141 millions in 1921. This huge sum which has been used to improve its roadbed and equipment explains its present earning position.

It has paid 6% dividends uninterruptedly since 1910. Earnings have averaged far in excess of this figure but so far the management has adhered to a very conservative policy. **There is a considerable cash balance on hand at the present time, and with prospective net income for the year in the neighborhood of $17 per share it is quite possible that the time honored rate may be advanced.**

LOUISVILLE & NASHVILLE

The Louisville & Nashville, which in itself is a large system, is controlled by the Atlantic Coast Line. In recent years it has developed a substantial bituminous coal traffic and has greatly increased its freight density with a corresponding addition to its revenues.

In the early part of this year it increased its capital stock by the distribution of a 62½% stock dividend. In this way there was capitalized 45 millions of the 82 millions surplus then standing on the books. The dividend rate had been 7% but was reduced to 5% on the enlarged capitalization. It was officially stated at the time that the new rate was declared, that the "board anticipated if net results of operations continued as

On the Southern Railway
The North Broad River Bridge near Toccoa, Georgia

favorable as in 1922, the dividend could soon be increased."

Revenues for the first four months of 1923 have far surpassed those of the same period last year. Earnings are running at the rate of $13 per share on the increased capital stock outstanding. **On the basis of this showing a return to the former 7% rate could easily be accomplished.**

CHESAPEAKE & OHIO

The Chesapeake & Ohio is one of the leading soft coal carriers, about three quarters of its entire freight business consisting of this one item. It has made substantial progress during the last ten years and is securing a larger tonnage at much higher rates. Its gross revenues per mile have increased about threefold since 1912.

Depending to such an extent upon a single commodity its earnings are subject to wide fluctuations. Nevertheless, the average for the period 1912-21 was $8.80 per share as compared with the $4 per share now being paid. Control was recently acquired by the Van Sweringen interests and their dividend policy in respect to other roads with which they have become affiliated has been liberal. **In view of Chesapeake & Ohio's development and the present rate at which it is earning, there should be no difficulty in paying higher dividends on the comparatively small amount of common stock outstanding.**

IMPORTANT

The next issue will contain a complete analysis of the Denver & Rio Grande reorganization and an outline of the present position and prospects of the Western Pacific and Missouri Pacific railroads, both of which have a vital interest in the final realignment of the Denver & Rio Grande situation.

How the Pennsylvania Is Securing Labor's Support

A Far-Sighted Plan of Tremendous Importance to the Railroad World

By WILLIAM A. McGARRY

WHAT might be termed a cross-section view of the American workman's buying power is furnished by the announcement of the Pennsylvania Railroad that after years of study it has evolved a plan for employee association in the purchase and ownership of the system's securities. The potential market thus created is so large and wealthy that it cannot fail to be of tremendous influence in the long run on the whole financial fabric of industry—yet that is merely one phase of what it is expected to accomplish.

Heretofore Pennsylvania Railroad workers have had to rely on their own or outside resources without any direct cooperation from the company in the purchase of its securities. But since July 1, when the new plan became effective, the 240,000 officers and men, enjoying an income aggregate from payroll of more than a million dollars a day, have been able to buy stocks, bonds or trust certificates of the system on an instalment plan at the minimum rate of $2.50 per month per share of stock or 5% per month of the cost of other securities.

Large as is the market thus organized, the officials of the company have made it clear in numerous preliminary references to the plan that its adoption is not merely a financial measure. Rather it is a frank recognition of the principle that no industry can hope to function efficiently without the direct and personal interest of all its workers. General W. W. Atterbury, Vice-President in Charge of Operation, has stressed that point repeatedly, holding that it applies with greater force to the complex organization of a great railroad than to the small industry where the employer can make personal contacts with his workers.

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As familiar as this scene is, it is always thrilling

A Remedy

In a recent address, it was pointed out by General Atterbury that, while the whole trend of modern industry is and must continue to be toward large organizations, they have in them what he called "the seeds of their dissolution." He put forth as a remedy the enlistment of the personal interest of the workers, and the combined savings, loan and stock-buying program now established is expected to be of immense value in that respect. General Atterbury is president of the organization, the title of which is "The Pennsylvania Railroad Employees' Provident and Loan Association." Members of the Advisory Committee of the Voluntary Relief Department of the company are acting as an organization committee until their successors are chosen in accordance with the by-laws.

Membership in the association is not compulsory—as a matter of fact, it is a privilege accorded only to employees who have been with the system for at least one year, in continuous service. Without going into all details it may be of interest to point out that, in addition to the security-purchasing feature, the plan will accommodate straight savings at four per cent interest; it will operate as a building and loan association to assist members in acquiring their homes; it will enable them to increase the present generous pension allowances made by the company, and it will provide for emergency loans. All operating expenses are to be paid by the company, but the association is wholly cooperative insofar as profits are concerned.

In the statement issued by President Samuel Rea of the Pennsylvania system announcing the creation of the association it was made clear that the step was taken "in response to many requests from the employees in recent years for additional opportunities for saving and investing their wages and salaries." It might be assumed by those not familiar with the company that it has been rather tardy in acknowledging labor's interest in the financial welfare of the employing corporation, and in the recognition of the vast market thus (*Please turn to page* 473)

BONDS

Sagging Tendency Exhibited

FOLLOWING the very intensive and skillfully managed efforts in behalf of the Austrian Loan and the large volume of new securities offered to the public in its wake, the bond market has exhibited symptoms of having reached top levels. There was little shading of values in the high grade domestic issues, but the halt in the upward movement was exemplified more by the lack of demand than by the actual course of prices and the very evident willingness of holders to take advantage of favorable bids whenever these appeared. Another indication of the situation was the cool reception accorded the offering of $45,000,000 Federal Land Bank tax exempt 4½s at 100¼.

In the speculative issues, the trend was distinctly downward in line with the course of stock quotations. Although there was an advance in the price of the commodity, bonds of the sugar companies were generally lower. Oil issues also lost ground. The unfortunate Virginia-Carolina Chemical Company bonds, both the first mortgage 7s and debenture 7½s, suffered another severe sinking spell, the former selling at 75 and the latter at 55. International Mercantile Marine 6s registered a new low at above 81.

High grade railroad bonds, while steady, were in supply on bids around current levels. Evidently President Harding's recent speech, intimating that legislation would be sought to compel the stronger companies to consolidate with the weaker systems, was not relished by some holders. The speculative issues also lost ground, but the decline in this division could be considered moderate.

There was very little of interest in the market for public utility bonds. Laclede Gas 5s continued to sell around their best prices, but, on the whole, there was a distinctly downward tendency.

Foreign bonds were irregular due to less favorable advices from Europe and removal of the influences in behalf of the Austrian loan. Following the large oversubscription of the bonds and doubtless in order to further market them among investors, quotations advanced a couple of points, but prices subsequently receded to a little above the offering price. An impartial appraisal indicates they are selling at too high a level in comparison with the market for other European government securities. While Austria's financial condition has been temporarily stabilized through the loan, at the same time, economically the position of this small country, with its lack of natural resources is inferior to that of its neighbors, who now possess the natural wealth of the old Austro-Hungarian Empire. Under these circumstances, it is difficult to comprehend why its bonds should enjoy a better market than the securities of those countries, as well as of the other guarantors of the loan, whose obligations are selling at more attractive yields. Doubtless this situation will gradually adjust itself.

Fluctuations in South American and Mexican bonds were narrow and changes unimportant.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	% int. earned on entire funded debt
HIGH GRADE (For Income Only)				
Non-Callable Bonds:				
Canadian Northern Debenture 6½s, 1946	(a)	112	5.50	*
Delaware & Hudson 7s, 1930	(b)	107	5.75	1.95
Great Northern Genl. 7s, 1936	(a)	108½	6.00	3.40
New York Central Rfd. and Imp. 5s, 2013	(c)	†95½	5.30	1.60
Western Union Telegraph Co. 6½s, 1936	(b)	109	5.60	3.40
New York Edison Co. 6½s, 1941	(b)	‡109	5.60	5.00
Bush Terminal Buildings 5s, 1960	(a)	89	5.70	1.71
Callable Bonds:				
Armour & Co. of Del. 1st 5½s, 1943	(c)	87½	6.60	5.00
Armour & Co. Real Estate 4½s, 1939	(a)	83	6.20	....
Canadian General Electric deb. 6s, 1942	(a)	101	5.90	4.40
Duquesne Light Co. 6s, 1941	(b)	103	5.75	3.40
Philadelphia Company 6s, 1944	(c)	100	6.00	3.50
Short-Term Bonds:				
B. & O. Prior Lien 3½, 1925	(b)	95	6.10	0.83
B. & O., Southwest Div. 1st mtg. 3½s, 1925	(b)	93¼	6.30	0.82
Seaboard & Roanoke 1st 5s, 1926	(a)	97¾	5.80	....
Southern Pacific conv. 4s, 1929	(a)	91	5.80	2.50
Union Pacific conv. 4s, 1927	(b)	95	5.40	2.25
Dominion of Canada Internal 5½s, 1927	(d)	101⅛	5.30	
Bell Telephone Company of Canada 5s, 1925	(c)	99	6.25	2.87
Aluminum Company of America 7s, 1925	(a)	103½	5.50	....
Central Leather Co. 1st 5s, 1925	(c)	99	5.50	0.91
Sinclair Crude Oil Purchasing 5½s, 1925	(a)	98	6.30	....
Columbia Gas & Electric Co. 1st 5s, 1927	(a)	96¼	6.00	4.15
MIDDLE GRADE (For Income and Profit)				
Railroads:				
Baltimore & Ohio 1st mtg. 4s, 1948	(b)	78	5.60	0.82
Carolina, Clinchfield & Ohio 1st 5s, 1938	(c)	93	5.70	1.40
Chesapeake & Ohio conv. 5s, 1946	(b)	89	5.80	1.40
Cuba R. R. 1st 5s, 1952	(a)	86	6.00	2.45
Chicago & Eastern Illinois Gen. 5s, 1951	(c)	80	6.60	2.20
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	83½	6.25	2.00
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	77	6.60	1.10
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	103	6.00	2.00
Missouri Pacific 1st and Rfd. 6s, 1949	(b)	94	6.40	0.90
N. O. & N. E. Rfd. and Imp. 4½s, 1952	(a)	78½	6.10	2.72
St. L. & S. F. Prior Lien 4s, 1950	(a)	67½	6.60	1.60
Western Pacific 1st 5s, 1946	(a)	80	6.70	2.67
Industrials:				
Anaconda Copper Mining Co. 1st 6s, 1953	(a)	97	6.25	2.25
Computing Tabulating & Recording 6s, 1941	(b)	98	6.20	5.50
Goodyear Tire & Rubber Co. 8s, 1941	(c)	117	7.10	9.50
B. F. Goodrich 1st 6½s, 1947	(b)	100	6.50	3.65
International Mercantile Marine 6s, 1941	(b)	81½	7.90	4.00
Sinclair First Lien and Col. 7s, 1937	(c)	97½	7.30	3.70
South Porto Rico 1st Mtg. and Col. 7s, 1941	(b)	100	7.00	5.50
U. S. Rubber 5s, 1947	(c)	87	6.00	2.35
Wilson & Co. 1st 6s, 1941	(a)	97	6.30	2.10
Public Utilities:				
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	84¼	7.00	1.80
Dominion Power & Transmission 1st 5s, 1932	(a)	90	6.50	2.37
Denver Gas & Elec. 1st and Rfd. 5s, 1951	(a)	86	6.00	3.99
Havana Elec. Ry. Light & Power 5s, 1954	(a)	84¼	6.10	4.53
Northern States Power 5s, 1941	(b)	89¾	5.90	1.80
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942	(a)	90½	5.80	2.25
Public Service Corporation of N. J. 5s, 1959	(a)	84	6.10	1.78
Utah Power & Light 5s, 1944	(a)	89¼	5.90	1.80
United Fuel Gas 6s, 1936	(b)	95	6.60	7.10
SPECULATIVE (For Income and Profit)				
Railroads:				
Chicago Great Western 1st 4s, 1959	(a)	49	8.60	0.60
Erie Genl. Lien 4s, 1996	(a)	47	8.50	0.70
Chicago, Milwaukee & St. Paul conv. 5s, 2014	(c)	67	7.50	0.85
Iowa Central 1st Mtg. 5s, 1938	(a)	68	8.90	0.80
Missouri Pacific Genl. Mtg. 4s, 1975	(b)	55	7.40	0.90
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	53	9.60	....
St. Louis & San Francisco Adj. Mtg. 6s, 1955	(a)	74½	8.30	2.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(b)	76¼	7.75	....
Southern Railway Genl. Mtg. 4s, 1956	(a)	68½	6.25	2.00
Western Maryland 1st Mtg. 4s, 1952	(a)	61	7.20	0.70
Industrials:				
American Writing Paper Co. 6s, 1939	(a)	68	10.00	1.90
Cuba Cane Sugar 7s, 1930	(c)	88	9.30	1.80
Chile Copper Co. 6s, 1932	(b)	100	6.00	3.80
Virginia-Carolina Chemical 7s, 1947	(c)	75	9.70	1.30
Public Utilities:				
Chicago Railways 1st 5s, 1927	(a)	80	11.30	1.08
Hudson & Manhattan Rfd. 5s, 1957	(c)	80	6.45	1.80
Interboro Rapid Transit 5s, 1966	(a)	64	7.75	1.60
Third Avenue Railway Rfd. 4s, 1960	(b)	54½	7.75	1.29
Virginia Railway & Power 5s, 1934	(a)	84	7.10	1.90

% This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years.

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936.

(a) Lowest denom., $1,000 (b) Lowest denom., $500. (c) Lowest denom., $100 (d) Lowest denom., $50.

Industrials

How to Handle Your Surplus Funds Now

Market Uncertainties Emphasize Need of Discrimination in Choice of Investments—Some Guiding Principles and Six Examples

By HORACE T. LIVERSEY

AN investor looking at the uncertainties of the present market outlook, its abortive attempts at a rise and its equally inconclusive declines, may well be forgiven for a certain feeling of doubt and hopelessness as to the proper disposal of his free funds. The low return obtainable from banking deposits or high-grade bonds does not appeal to him, and he may have a soundly-based objection to putting his money into mortgages or similar good investments which reduce the liquidity of his investment capital. Bonds are as apt to fluctuate as stocks, anyway, he tells himself, and so after a quick review of investment possibilities outside of the stock market the trained investor comes back to stocks, common and preferred for a more intensive examination.

SIX OUTSTANDING INVESTMENT STOCKS

Company	Working Capital	Amount of Stock Outstanding	Annual Dividend Requirements
Armour & Co.	$109,901,462	*$60,000,000 (pfd.)	$4,200,000
General Baking Co.	6,475,369	8,815,800 (pfd.)	705,264
Mack Trucks, Inc.	20,938,876	10,921,891 (1st pfd.)	764,533
American Car & Foundry Co.	†37,583,668	30,000,000 (com.)	3,600,000
Anaconda Copper Mining Co.	52,821,997	150,000,000 (com.)	9,000,000
Westinghouse Elec. & Mfg. Co.	90,286,742	85,962,530 (com.)	3,438,501

* Armour Co. of Delaware. † As of April 30, 1922.

Closer investigation discloses that while, in general, it is true that stocks are not in a buying position at the present time, yet particular securities can be discerned which are at or near a point at which they should be considered for investment. How close they are to this point will vary with the needs and position of the individual investor—it will depend on whether he is in position to stand a 5 or 10-point loss on a high-priced stock, on the nature and amount of his other investments, and such factors. If, however, he decides that he is ready for action if the stock is "right," there are certain general principles applying to this method of utilizing idle funds which he would do well to keep in mind.

His great requirement at the present and similar times is stability, rather than the outlook for immediate or large market profits. There are several ways in which he can get a reasonable assurance of stability in his investments. Certain industries are known, by past experience, to maintain a fairly good level of sales and earnings without much dependence on the level of general business. Such are, for instance, the chain stores, moving pictures, baking companies, etc.

Another type of company attains a relative stabilization over a fairly extended period by virtue of unfilled orders which assure it of good business for a year or so ahead. This is typically true of firms making certain types of heavy machinery, electrical equipment, etc. The investor can usually figure that these orders will sustain his investment until such time as the uncertainty has cleared away and a well-defined tendency, in one direction or the other, has made its appearance, for rarely has a period of transition and uncertainty lasted a full year.

Another element of stability is sound investment value, particularly in the case of a preferred stock, which has not yet been so fully recognized by the market as to put the stock in the very highest class, thus making it dependent almost entirely on fluctuations in the money rate. A stock which is comparatively new to the market, or has not yet been fully digested, or is a member of an industry whose earnings fluctuate widely, even though they never descend so low as to endanger the safety of senior securities, is a good investment medium for this purpose.

Securities of higher grade would be apt to give an unsatisfactorily low yield, as well as tending to depreciate in a higher money market. Lower-grade stocks, on the other hand, are buoyed up by the higher earnings which the company is apt to show if business becomes so active as to necessitate higher money rates.

The foregoing considerations have been applied in the selection of six examples of the type of stock which is worth watching, under the conditions mentioned, in the present kind of market. Three of them, it will be noticed, are preferred stocks, and three are common stocks.

GENERAL BAKING 8% PFD.

This company has shown a phenomenal growth in the last few years, having been originally incorporated in 1911 as a consolidation of twenty baking companies. Its policy has been to finance growth and acquisition of new properties out of earnings, and from time to time to distribute stock dividends to the common to capitalize its surplus.

During 1922 the company increased its common stock from 34,000 shares to 415,000 by successive stock dividends, while outstanding preferred amounts to 8.8 millions and bonds to 4.3 millions. In 1920, on the old capitalization, the company earned $14.29 a share on the common, and in 1921, during the worst of the depression, $45.54, while in 1922, on twelve times the number of shares, it earned $9.60 a share, at about which rate it is running now.

Bread being a staple article, whose consumption is but slightly affected by the level of business prosperity, and chances for inventory depreciation being relatively small, owing to the fact that bread is sold as soon as made, and its price, being fixed largely by custom, can be sustained until high-priced flour stocks are made into bread, the stability of the business is assured, and it is difficult to conceive of a situation arising in which the sales and earnings would decline so far as to endanger the dividends on the preferred.

The financial position, as of the end of last year, was sound, current assets amounting to 7.1 millions and liabilities only 1.7 millions. Among the assets fully 4.1 millions were cash and Liberty bonds and notes, or enough to pay off all bond issues and leave the 12 millions of plant and equipment to satisfy the preferred.

This issue is also a relatively recent listing, which accounts in part for the yield of 7.1% around present prices of 112½. **It is, however, an excellent investment issue.**

MACK TRUCKS 7% 1st PFD.

This company is one of the leaders of the motor-truck industry, averaging over 30 millions worth of business a year. It specializes in heavy trucks, on which the margin of profit is greater than on the light ones. It has shown a steady increase in volume of sales from about 12 million dollars in 1917 to a current rate around 40 millions, while profit per dollar of sales has increased correspondingly.

Earnings for the last six years have averaged $5.50 a share on the common, including 1921, in which a deficit was shown. In 1922, earnings recovered to $9.92 a share, and for the first half of the current year they are estimated at $12-$14 a share in view of the record-breaking volume of business done.

There are 10.9 millions of the first preferred outstanding, with no bonds preceding, and followed by 5.3 millions of second preferred and 283,108 shares of common. Dividend requirements of $760,000 per year on the first preferred are the equivalent of profits on 1,030 trucks, compared with current production, at the peak, of 800 trucks per month.

The financial position of the company is very good, with current assets at 23 millions to 3 millions of current liabilities, while among the assets are 4.2 millions of cash.

While the business is apt to fluctuate according to changes in the level of general business activity, the margin of earnings over preferred requirements has been so large as to secure this issue for all practical purposes. It has been announced that dividend requirements on both classes of preferred were earned in the first two months of the current year.

The yield of 7.4% at current prices of 94 renders the issue an attractive medium for investment.

ARMOUR CO. OF DEL. 7% PFD.

This stock was issued early this year to the amount of 60 millions in conjunction with 50 millions of first mortgage bonds as part of a far-reaching reorganization of the financial structure of the Armour Co. of Illinois, of which the Delaware company issuing this preferred stock is a subsidiary. About 64 millions went to redeem an equivalent amount of debentures and notes, while the rest was intended to reduce floating debt and for "other corporate purposes."

About the same time, the absorption of the Morris packing interests by the Armour Co. of Illinois was announced, the physical assets of the Morris company being turned over to the new Delaware subsidiary. Savings on operations of the combined companies are estimated at 10 millions annually, while the actual volume of sales has been increasing over the combined sales of the two companies when separate.

Average earnings applicable to this issue in the six years ending 1921 were 11 millions, or over 2½ times the 4.2 millions required for dividends. Last year, Armour showed less recovery from the 1921 slump than the other big companies, showing a deficit of 8 millions compared with 31 millions in 1921. However, the economies and increased volume of sales gained by the merger have succeeded in putting the company's earning power to a point where dividends are being earned with a margin to spare.

As a result of the financing done early this year, the financial position is very strong, current assets amounting to 187 millions while current liabilities amounted to 77 millions. Among the assets, as of December 31, 1922, was 34 millions in cash and 17 millions in marketable securities, together constituting 85% of the par value of the preferred stock issue.

In view of the improving conditions in the packing industry, the dominating position of the Armour-Morris consolidation, and the staple nature of the products, which continue to be largely sold even in time of depression, we consider the preferred a desirable investment of the middle grade. Its low price is partly accounted for by the fact that the issue was recently floated, and has not been fully digested. At current prices around 91 the yield is 7.7%.

ANACONDA COPPER

This is the strongest company in the copper industry, because of its size, the diversification of its output, which includes zinc, silver, lead, arsenic, coal, lumber, etc., and the fact that it is the largest producer of finished copper and brass articles in the world through its ownership of the American Brass Co. Its entry into the manufacturing end as well as mining gives its business greater stability, as well

(*Please turn to page* 458)

A MAGNIFICENT INDUSTRIAL SPECTACLE

Interior view of the huge converter of the Anaconda. By comparing the size of the man in the foreground with the rest of the equipment around him you get a good idea of the immensity of the plant

Recently Listed Securities

The Fourth of a Series Disclosing Facts About the Newcomers on the N. Y. Stock Exchange

By FRED L. KURR

SCHULTE RETAIL STORES Schulte Retail Stores through subsidiary companies operates retail cigar stores throughout the country. At the present time, it is operating 250 stores and is planning to open 25 more during the year. It controls 326 locations and parcels of real estate situated in 28 states for a period from ten to ninety-nine years, and 95% of the locations are corner properties on main streets. With the exception of cigars manufactured by B. G. Davis & Company, Inc., which is controlled through stock ownership, products sold in the stores are manufactured by outside interests.

During the past seven years, both gross and net business has steadily increased, each year showing a substantial gain over the preceding one. Net income for 1922 was the largest in the company's history, being more than double that of 1921 which was the best previous year. Earnings in 1922 were equal to $8.41 per share on the present outstanding common stock. It is true that this is not a very large earning power for a stock selling in the nineties, but the fact should be taken into consideration that Schulte is continually opening new stores, and in the past this has invariably meant increased profits. Moreover, the company's earnings record indicate that its business is not adversely affected in periods of depression. Sales of the company for the first four months of the current year were more than 25% ahead of the same period of 1922, and profits for 1923 should be substantially in excess of last year's.

Financial condition is strong, ratio of current assets to current liabilities being 4 to 1. In order to conserve its working capital, dividends are now being paid on the common stock at the rate of $8 per share per annum in 8% cumulative preferred. This preferred stock is entitled to a high rating and has a market value on the New York Stock Exchange of around $113 a share.

Negotiations are under way for the sale of Park & Tilford to Schulte Retail Stores, and it is understood that the latter is holding an option on this company's property. Park & Tilford for years has been successful in distributing its goods to retailers in the smaller towns and, it is believed, that such an organization would be very valuable to the Schulte Company. The United Cigar Stores, for example, now have some five thousand agencies established and it apparently would be a good business for Schulte to follow this method in the smaller towns.

From a market viewpoint it is important to note that Schulte Retail Stores stock has had a very considerable advance in price in the past year, and, of course, can easily react from present levels. From a very long range viewpoint, however, it is attractive.

INTERNATIONAL SHOE International Shoe Company in 1921 purchased the entire business and assets of. Kistler-Lesh & Co. of Boston and acquired the entire capital stock of W. H. McElwain Co. As a result of these acquisitions, International Shoe is now one of the largest shoe manufacturers in the United States. The output in pairs for 1922 was 38.3 million and the 1923 output is estimated at 40 million.

Earnings in 1922 were equal to $9.59 a share on the present outstanding common stock after liberal charges for depreciation, and, for the five months ended April 30, 1923, were equivalent to $4.05 a share on the common stock. Balance sheet as of April 30, 1923, discloses a strong financial condition, ratio of current assets to current liabilities being 3¾ to 1. While there is a temporary lull in the shoe manufacturing industry, unfilled orders on the company's books are considerably in excess of those on hand at this time last year. It is to be anticipated, therefore, that earnings in 1923 will compare favorably with the 1922 year.

The common stock is only paying dividends at the rate of $3 per share per annum which at the present price of 65 gives a return of merely 4.7%. With earnings running more than three times this dividend rate, however, and a strong financial condition, a more liberal dividend policy in the near future is likely. The company has an excellent record over the past several years, and the stock is not without long-pull possibilities. **Under present market conditions, however, it is high for a $3 stock and its purchase is not advisable at this time. The 8% preferred stock is entitled to a high rating, as the company has no funded debt and working capital alone is more than double the amount of preferred stock outstanding. At present levels of 110, this stock is attractive for investment purposes.**

CUYAMEL FRUIT Cuyamel Fruit is mainly interested in cultivation, transportation and marketing of bananas, which are raised in Honduras and Nicaragua. It also grows sugar cane and operates a sugar mill through its subsidiary the Sula Sugar Co. which has a capacity of 150 tons of sugar daily. Extensive tracts of land are owned in Honduras and Nicaragua as well as considerable railroad property and equipment. Eleven steamships are owned and operated to transport bananas from Central America. In 1922, 5.3 million stems of bananas were produced, and it is estimated the production this year will reach 6½ million stems. Earnings in 1922 were equal to $5.37 a share on the present outstanding stock, and, in view of the increased production this year, it is estimated that earnings may reach $8 a share. Profits for the past five years have averaged $4.45 a share on the present common stock. Financial condition of the company is not over-strong, ratio of current assets to current liabilities December 31, 1922, was only 1⅓ to 1.

In June, the common stock was placed on a $4 dividend basis which at present levels of 57 gives an attractive return. **However, in view of the earning power thus far demonstrated and the financial condition of the company, the stock must be regarded as highly speculative and not to be compared from an investment viewpoint with a stock such as Westinghouse Electric paying $4 and selling around 55.**

SIMMONS COMPANY Simmons Company is engaged in the business of manufacturing metal beds, bed springs, couches, cots, metal furniture, mattresses and kindred articles. It operates five works in the United States, the main one being located at Kenosha, Wisconsin. Earnings of the company for the past seven years averaged $1.60 per share on the present outstanding common

FIVE RECENTLY LISTED COMPANIES

	Capitalization			Working Capital	Earned Per Share 1922	Price Range Since Listing		Present Price	Dividend Rate
	Bonds	Preferred	Common (No. of Shs.)			High	Low		
Century Ribbon	....	$2,000,000	100,000	$2,869,176	4.86	36⅞	28	32	..
Cuyamel Fruit	$3,679,000	....	250,000	922,443	5.37	69	56½	57	4
International Shoe	....	17,914,200	918,006	38,332,260	9.59	73½	64¼	65	3
Simmons Co.	448,000	6,635,900	876,540	10,154,741	*2.35	34⅝	24½	27	1
Schulte Retail Stores	....	2,000,000	300,000	3,972,285	8.41	95⅜	88	92	†8

* Partly estimated. † Paid in 8% preferred stock.

stock. Net sales of the company since its incorporation in 1916, have been on a steadily expanding scale, and earnings in years to come should show a higher average. In 1922, approximately $2.35 per share was earned and earnings for the first four months in 1923 were at the rate of over $5 a share. The Consolidated balance sheet as of November 30, 1922, shows a good financial condition, ratio of current assets to current liabilities being approximately 2½ to 1. The company plans to shortly enter an intensive campaign for the sale of metal furniture, a new line which is expected to add materially to profits.

At present levels of 27, the stock as a $1 dividend payer only yields 4%. On the basis of past performances, the $1 dividend rate appears liberal enough, but the company so far this year has shown a rather remarkable increase in its business, and, if this can be maintained, higher dividends will undoubtedly be paid. **The investor, however, would do well to avoid the stock until the company has demonstrated more fully its ability to maintain the present rate of earnings.**

On the basis of its past earning record and financial condition, the 7% preferred stock, selling around 100, is entitled to a good rating. Working capital of the company is 3 million in excess of the total preferred stock and funded debt outstanding.

CENTURY RIBBON MILLS Century Ribbon Mills is engaged in the manufacture and sale of silk and fabric ribbons, all of the raw materials for which are acquired by purchase. It also acts as factor and commission merchant for the sale of silk, wool, cotton and other textile fabrics. This business was started in 1922 and it is estimated that sales for 1923 will be equal approximately to one-half of the company's sales of its own products. The company has demonstrated a very stable earning power. Average earnings for the five years ended December 31, 1922, were $587,000, equal to $4.47 per share on the common stock, and in every one of these years, the company reported good profits. This is a good showing in view of the losses sustained by many companies dealing in silk products in the deflation period of 1920-21. Earnings for the first quarter of 1923, were at the annual rate of $5.61 a share on the common. It is expected by the management that sales will gain steadily through the remainder of the year.

Balance sheet as of December 31, 1922, showed a good financial condition, ratio of current assets to current liabilities being nearly 4 to 1. No dividends have as yet been paid on the common stock, but in view of the good earnings and sound financial structure of the company, some action along this line is anticipated very shortly. **At present prices of 32, however, the stock would appear to have already discounted dividend action. The 7% preferred stock selling at 95, is entitled to a good rating as the company has no funded debt and net liquid assets alone are in excess of the preferred stock outstanding.**

Preferred Stocks

Prices Irregular — Losses Principally in More Speculative Issues

THE preferred stock market was highly irregular during the past two weeks. As was natural, more cognizance was taken of the decline in price for common stocks than heretofore. As a rule, the best investment issues maintained their position, although transactions were few, but the more speculative stocks moved to lower levels and in some instances wide fluctuations were witnessed. Losses of two and three points were common and there was an extremely thin market for some stocks. As an illustration, American Beet Sugar preferred declined over twelve points on a sale of 100 shares. California Petroleum preferred receded over eight points to 100, following the decline in the common shares.

PREFERRED STOCK GUIDE

	Divid'd Rate $ Per Share	Approx. Price	Approx. Yield	Divid'd † Times Earned
Sound Investments				
INDUSTRIALS:				
American Sugar Refining Co.............(c.)..	7	101¼	6.9	1.8
American Can Co.....................(c.)..	7	108¾	6.4	2.2
American Ice Company..............(n.c.)..	6	80	7.5	2.2
American Woolen Co...................(c.)..	7	99	6.8	2.9
Allied Chemical & Dye Corp...........(c.)..	7	107	6.4	(x) 4.5
Baldwin Locomotive Works............(c.)..	7	112	6.2	5.4
Cluett-Peabody & Co...................(c.)..	7	105	6.7	4.5
Endicott-Johnson Corp.................(c.)..	7	115½	6.1	6.0
General Motors Corp. deb..............(c.)..	7	97	7.2	(y) 5.4
Kelly-Springfield Tire Co..............(c.)..	6	87½	6.8	13.2
Loose-Wiles Biscuit Co. 1st............(c.)..	7	106	6.6	3.5
Standard Milling Co..................(n.c.)..	6	89	6.7	5.3
PUBLIC UTILITIES:				
North American Co.....................(c.)..	3	43	7.0	6.0
Philadelphia Company..................(c.)..	3	42½	7.0	5.7
RAILROADS:				
Bangor & Aroostook....................(c.)..	7	91	7.7	2.5
Chesapeake & Ohio conv................(c.)..	6.50	99½	6.5	(x) 6.6
Chicago & Northwest partic...........(n.c.)..	7	108½	6.4	6.3
Colorado & Southern 1st..............(n.c.)..	4	54½	7.3	6.2
Middle-Grade Investments				
INDUSTRIALS:				
Armour & Co. of Del...................(c.)..	7	86½	8.1	(z) 2.0*
American Steel Foundries..............(c.)..	7	99	7.0	5.0
Allis-Chalmers Mfg. Co................(c.)..	7	92	7.6	3.3
American Smelting & Ref. Co...........(c.)..	7	96¼	7.3	2.5
Associated Dry Goods Co. 1st..........(c.)..	6	84	7.1	2.7
Brown Shoe Co.........................(c.)..	7	94	7.4	3.1
Bethlehem Steel Corp. conv............(c.)..	8	102¼	7.6	6.9
Bush Terminal Buildings Co............(c.)..	7	92¾	7.5	1.1
Coca-Cola Co..........................(c.)..	7	92½	7.5	(x) 5.1
Cuban-American Sugar Co...............(c.)..	7	94	7.4	8.0
Genl. American Tank Car Corp..........(c.)..	7	100	7.0	(y) 5.7
General Baking Co.....................(c.)..	8	108½	7.4	(x) 3.8
Gimbel Brothers, Inc..................(c.)..	7	98½	7.1	3.3
J. Kayser & Co........................(c.)..	8	98	8.2	1.8
Natl. Cloak & Suit Co.................(c.)..	7	92	7.6	3.0
Sears-Roebuck & Co....................(c.)..	7	108½	6.5	16.7
U. S. Industrial Alcohol Co...........(c.)..	7	99	7.0	4.9
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st.......(c.)..	7	89	7.9	(x) 2.2
Public Service of N. J................(c.)..	8	102½	7.9	1.9
RAILROADS:				
Baltimore & Ohio.....................(n.c.)..	4	58	6.9	...
Colorado & Southern 2nd pfd..........(n.c.)..	4	48	8.3	7.2
Pittsburgh & W. Va....................(c.)..	6	90	6.7	2.0
Semi-Speculative Investments				
INDUSTRIALS:				
American Beet Sugar Co...............(n.c.)..	6	65	9.2	3.8
California Petroleum partic. pfd......(c.)..	7	100	7.0	(x) 3.4
Famous Players-Lasky Corp.............(c.)..	8	90	8.9	(w) 6.4
Fisher Body Corp. of Ohio.............(c.)..	8	98	8.1	...
Mack Trucks, Inc., 1st................(c.)..	7	91	7.7	3.0
Orpheum Circuit.......................(c.)..	8	91	8.8	(x) 2.5
Pure Oil Co. conv. pfd................(c.)..	8	93	8.6	6.0
U. S. Rubber 1st pfd.................(n.c.)..	8	98½	8.1	2.6
Worthington Pump & Mfg. "A"...........(c.)..	7	83	8.4	6.6
PUBLIC UTILITIES:				
Market Street Railway prior pfd.......(c.)..	6	65	9.2	...
RAILROADS:				
Kansas City Southern.................(n.c.)..	4	52½	7.6	1.05
Pere Marquette........................(c.)..	5	64	7.7	3.0
St. Louis Southwestern...............(n.c.)..	5	58¼	8.5	1.6
Southern Railway.....................(n.c.)..	5	66½	7.5	2.2

(c.) Cumulative. (n.c.) Non-cumulative.

(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.

† Average number times earned last five years.

What the Chicago Stock Market Offers

An Analysis of a Few of the Leading Issues Dealt in on La Salle Street

By JAMES W. MAXWELL

INCLUDED in dealings on the Chicago Stock Exchange are the securities of many prominent corporations. A brief survey of the position and outlook of a few of these may be found timely and is offered in what follows:

WM. WRIGLEY, JR., & CO.

Has Enjoyed Steady Business Growth

Back in 1917, William Wrigley, Jr., & Co., sold over fifteen million dollars' worth, net, of its product. After deducting its operating expense, the corporation had a net profit of all but four millions of dollars. In the three succeeding years, the corporation's ratio of expenses to net sales held to about the same figure as that shown for the year 1917; and in the years 1921 and 1922 it is probable that there was at least no increase in the ratio of operating costs, while there may very probably have been a decline.

Hence, while Wrigley, Jr., in filing the report of its results for last year (1922) omitted a reckoning of its net sales, the fact that its profits after expenses exceeded $6,000,000 seems reasonable assurance that the corporation's net sales last year exceeded thirty millions of dollars in value.

This is, certainly, an amazing sales-volume, not only insofar as it represents an increase of a full 100% over the sales five years earlier, but also insofar as it measures the scope of the market for this particular commodity. It illustrates public opinion of the product manufactured by Wm. Wrigley, Jr., at the same time that it attests to the excellence of the sales policy of the management—a policy, as every one in this country must know, which has consisted chiefly in advertising done on a stupendous scale.

The favorite feature referred to as illustrative of Wrigley's permanent advertising campaign is the big electric sign the company operates in the heart of New York City's theatre district. It is understood that this single unit costs more than $100,000 a year to operate.

The growth in popularity of the Wrigley product has not at any time in the corporation's history been allowed to weaken its financial structure. That is to say, the records do not show that increasingly large earnings have been secured at the expense of operating efficiency, or liquid reserves, or dissipated in excessive earnings distributions. The company has regularly maintained a large cash balance, which same exceeded five millions of dollars at the close of last year, and its supply of working capital has always been ample to its needs.

Features of chief interest in Wrigley's affairs in more recent times have included the retirement of its preferred stock (a $1,500,000 issue) early in 1922; the decision to invest 4 millions of the company's assets in a correspondingly large new office-building in Chicago; the further expansion of sales volume in the current year; and the gradual opening up of foreign markets.

Retirement of the preferred leaves Wm. Wrigley, Jr., common stock as the only outstanding capital issue, with corresponding benefits to the common in the shape of full participation in the corporation's profits and title to its resources. Construction costs in connection with the new building, according to generally well-informed sources, are available in full in the form of liquid reserves, removing any likelihood of special financing; and completion of the building will add a source of revenue of very substantial proportions.

The sales volume in the current year is estimated at 10-15% in advance of 1922. Assuming, for purposes of analysis, net sales of 30 millions last year, and an operating ratio of 75% (which is probably high, as the corporation's expenses have tended downward in recent months), and equivalent deductions of other sorts, surplus earnings for the capital stock should be running at the rate of about 6.7 millions at the present time, or well over the $10.26 per share earned last year.

Wm. Wrigley, Jr., stock has shared in the general depression which has affected securities in recent months, selling now at 106, or about 10 points below the high-record level of last year (115). There is no advantage to be derived from setting oneself up in opposition to an underlying investment trend, so the prospective buyer of Wrigley shares might as well postpone any commitments until the skies clear. At the same time, the company is manifestly in remarkably good shape, has demonstrated an ability to earn an attractive return for its shareholders in bad times as well as good and gives no indication of any let-up in the healthy growth it has enjoyed since its organization thirty-two years ago.

When investment affairs in general begin to brighten up once more, the stock might easily prove a very attractive medium.

STATISTICAL REVIEW OF WM. WRIGLEY, JR., & CO.

	Price Range of Common Stock Low	High
1919	74½	89
1920	69	82¾
1921	69½	107¼
1922	97	115½
1923	105¼	114
Present price		106

	Surplus After Charges
1917	$2,591,000
1918	2,315,000
1919	4,140,000
1920	3,326,000
1921	3,711,000
1922	6,147,000

ANALYSIS OF WORKING CAPITAL

Current Assets:	1919	1920	1921	1922
Investments	$2,530,000	$3,381,000	$3,475,000	$2,672,000
Bonds	2,028,000	1,959,000	1,860,000	1,932,000
Cash	2,379,000	1,651,000	3,448,000	5,065,000
Receivables	3,031,000	2,434,000	1,649,000	2,381,000
Inventories	5,753,000	6,160,000	5,428,000	5,570,000
Total	$15,721,000	$15,584,000	$12,384,000	$13,019,000
Current Liabilities	2,633,000	1,936,000	2,604,000	1,925,000
Working Capital	$13,088,000	$13,648,000	$9,781,000	$11,094,000

HUPP MOTOR

One of Motor World's Sensations

In Hupp Motor, Chicago investors have one of the real sensations of the automobile age. In five years' time, this company, as a manufacturer and distributor of medium-priced cars, has built up the value of its yearly net sales from $12,000,000 to $34,000,000—an increase of nearly 200%; has expanded the profits earned for its stockholders from $606,000 in 1917 to over $3,700,000 in 1922, or to a figure six times as large; and has, in values and earning power, so improved the position of its common shares as to bring about an increase in the market price of the common from around $2 a share to as high, this year, as $29.50—a market appreciation of some 740%.

The success of the Hupp organization seems to have sprung largely from energetic pushing of a popular product, with a considerable share of the bigger results due to a shrewdly managed extension of manufacturing facilities. Hupp turned out and sold over 34,000 cars last year, as against less than 14,000 in the year before; and its control over output was fortified by absorption of one formerly independent unit having a large output of pressed steel metal parts and partial absorption of another unit engaged in body construction.

Under the conditions which have prevailed in the motor world since its founding, the chief test put on the various manufacturing companies has centered

upon their ability to expand at the enormously rapid pace at which the industry itself has expanded without over-extending themselves or weakening their industrial or financial position. Where more motor manufacturers than the public may realize—especially among the smaller organizations—have failed to meet this test, the records are indubitable evidence that Hupp has made the most of it.

Under conditions as they threaten to develop sooner or later, the test seems likely to tend more and more toward competition, centering finally upon the ability of the manufacturers to withstand selling pressure. Analysts who have successively predicted a drop in automotive sales in each of the last four or five years, and been as regularly refuted by the establishment of new sales records from year to year are a little chary about new attempts at forecasting the dreaded saturation point. Nevertheless, the fact that the motor companies of this country turned out cars and trucks at the rate of 4,000,000 units a year in the first five months of 1923, or at a rate some 60% in excess of last year's phenomenal total, is an indication that, wherever the limit of new sales may be, it is being brought nearer at a gruesomely rapid rate.

With this in mind, opinion of the investment merits of a motor company's securities tends to formulate itself largely on the basis of the company's comparative financial strength, the nature and extent of its obligations, its industrial prominence and managerial ability. Hupp undoubtedly ranks quite high in all four respects. It entered the current year richer in liquid capital than at any time in its history, while its inventories were at an unusually high level (6.6 millions, against 5.1 millions at the end of 1920), its remarkably increased sales this year have probably more than offset this factor already. The company has no funded debt, and only a very small issue of cumulative preferred, and its current obligations are small, as indicated by its working capital position shown in the accompanying table. The organization has grown industrially to a position of unquestioned prominence, aided by the popularity of its product and the enlargement of its manufacturing facilities, all of which is reflected in the production of over 20,000 cars in the first five months of this year, or 5,000 more than were sold in the whole year 1921, and the expansion of output to a capacity of 40,000, against 30,000 heretofore. As for the management, the growth of the company and the manner in which that growth has been turned to its advantage is a sufficient commentary. In short, judged by past performances and trade and financial position today, Hupp should give an excellent account of itself if any trade depression should develop.

Investors who may be attracted by the present price of the stock—about $18—which is nearly 12 points below the high of the current year, can afford to remember that security markets are no respecters of persons, and that good stocks go down with the bad in times of investment stress. Also, Hupp Motors, even at its present price, can hardly be called low from a yield standpoint, the dollar dividend offering a return of only about 5½% at these levels. **The writer would be inclined to wait until the clouds lift a bit before committing himself to the issue, although his conservatism would spring from no doubts as to the strength of the company or its possibilities of future growth.**

STATISTICAL REVIEW OF HUPP MOTOR CAR CORP'N.

	1917	1918	1919	1920	1921	1922
*Net Sales	$12,122	$10,472	$20,162	$26,263	$17,712	$34,562
*Net Profits	696	607	1,752	2,366	890	3,764
Earned per Sh. on Com.	0.99	1.01	3.24	4.42	1.60	7.14

* In thousands.

Price Range of Common	Low	High
1916	5	11¼
1917	2⅛	5½
1918	2⅛	5⅜
1919	4⅝	15½
1920	9¼	23¼
1921	10½	16¾
1922	10⅞	26⅞
1923	18	29½
Present price		18¼

Total Surplus (As of December 31)	
1917	$655,000
1918	1,177,000
1919	2,857,000
1920	4,600,000
1921	4,905,000
1922	8,091,000

WORKING CAPITAL

	Current Assets	Current Liabilities	Working Capital
1921	$5,155,973	$2,587,551	$2,568,422
1922	8,484,596	4,671,429	3,813,167

STEWART-WARNER

A Startling Market Decline

Stewart-Warner goes ahead manufacturing something like 90 out of every 100 speedometers fastened on new cars produced in this country, and, in addition, does a largely increased business in "bumpers," "spot-lights" and carburetors. Its rate of earnings soars to unprecedented levels, permitting an increase in the dividend rate from $6 to $8 per share, as well as the payment of an extra dividend. The rate of motor-car production, which scored what was thought the last word in records in 1922, when it exceeded 2½ million cars, expands to a new and almost unbelievable figure. The stock soars from last year's high of 79 to the new record high of 124½ on the Chicago board.

Then something happens to unsettle confidence, or else investors just decide "this sort of thing can't go on forever," and, in the face of all the bullish developments specified, Stewart-Warner shares drop 50 points in the market to their present level around 76.

The succession of events forms one of those mystifying sequences with which stock markets so frequently regale their followers. An outsider, after learning all the good things there were to learn about Stewart's affairs, might have concluded that the stock's erstwhile high position was fully warranted and certain to be maintained. But stock markets do not work that way. Their practice is to anticipate good news long before it appears and then, as soon as it has appeared, readjust themselves in due proportion.

It is a moot question, however, whether the startling decline in Stewart-Warner from 124½ to 76, which has brought the common stock of this strongly intrenched motor-equipment manufacturer down to a yield basis of over 10%, has not gone too far, investment conditions notwithstanding. In 1922, Stewart earned $11.24 per share. In the first three months of this year it earned $4.36 a share. The half-year's earnings, when announced, are likely to show the full year's dividend already earned. At the close of 1922, the company had a net working capital of over 7 millions. Its profit and loss surplus exceeded 11 millions. It held over 1 million in cash. Most recent sales figures available are those for April, last, which show an 84% increase over April, 1922, while sales for the first four months of this year were 80% more than in the corresponding period of the previous year. The corporation is erecting a new half-million dollar annex in Chicago to accommodate its increased output.

Such arguments as can be unearthed to account for the slump in Stewart-Warner stock surround its low asset value (about $29 per share, December 31st, last) and the signs of overproduction in the motor industry. As the overproduction fears cannot be disproven, they cannot be disregarded. Neither can the general trend toward liquidation in the motor-security world be disregarded.

Nevertheless, considering the greatly expanded earning power of the company, its strong financial position, the trade prestige of its product, and, in addition, the high yield offered, it is difficult to refrain from suggesting commitments in the stock. **One may at least suggest that, even if bedlam is ahead for the motor industry (and nobody in his senses believes that), one of the first motor stocks to attract buying when the readjustment has been completed should be this issue.**

UNION CARBIDE & CARBON

Not Particularly Enticing

One of Chicago's favorite investment mediums is the common stock of the Union Carbide & Carbon Corporation. The company has not offered much statistical encouragement in the matter in past years, having been rather reticent about publishing the full results of its

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United Drug Company

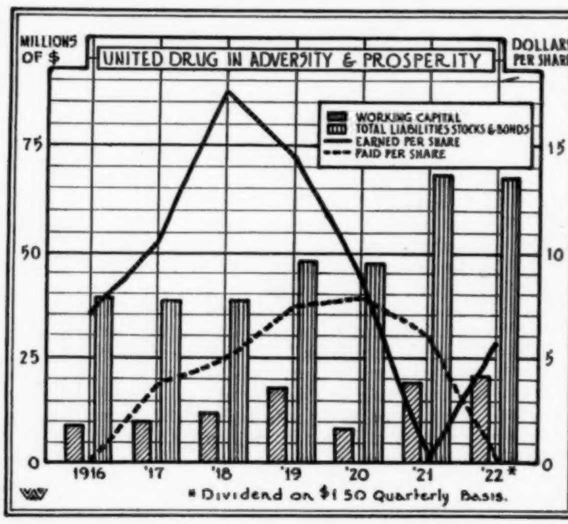
A Case of Over-Discounting

United Drug's Position and Prospects

By JOHN MORROW

WHEN some enterprising historian of affairs, industrial and financial, chronicles the experiences of the industrial corporations during the depression of 1920 and 1921, and during the subsequent business recovery, he will include United Drug among those companies which "came back," which returned from the valley of depression, restored earning power, and resumed dividends. Now United Drug is not one of those companies whose stockholders can be cheered during periods of gloom by statistical tables, showing tremendous asset values, intrinsic worth, book value and what not. They cannot be heartened by the statement of a property and real estate account, which over-bulks capitalization. Far from it. United Drug is an earning power stock, and after all, what stock is not? The writer doubts that asset value ever determines the market price of a speculative stock. This may be incidental in connection with United Drug but it paves the way for the statement that trade-marks, patents, formulae, and other intangible assets are carried at almost 23 million dollars on the balance sheet; an amount in itself of over $64 a share on the common stock.

There is no valid objection to a substantial valuation of good will, formulae, patents in a business like that of United Drug. United Drug is both manufacturer and retail distributor, and has built up a trade name of definite value and one which undoubtedly adds materially to earnings. Output includes medicines, toilet articles, rubber goods, stationery, candies, druggists sundries, and, in fact almost everything which the modern drug store offers to its patrons. In these days it almost seems as if the only manner in which the manufacturer of toilet articles, etc., can push his products is to have his own retail outlet, and United Drug has this through ownership of the Liggett-Riker-Hegeman drug stores, of which there are over 250 in operation in the United States and Canada. In addition, United Drug controls Liggetts International, which operates in England, through Boot's Pure Drug Company. Incidentally, this English company has resumed dividends on its two classes of stock after a lapse of a few years, and this will add something over $300,000 in annual income to United Drug, or approximately 1% of the outstanding common of the controlling company.



United Drug and Its History

United Drug as at present incorporated is about 7 years old. Earnings on common stock progressed normally and in a fairly satisfactory manner from 1916 through 1919, but the rising tide of commodities prices hit amidships in 1920 and 1921, and when the storm passed dividends upon the common stock had been suspended, a top heavy inventory position, and an over-expansion of bank loans had been rectified by permanent financing through the medium of an issue of 8% notes; and the personal affairs of Louis K. Liggett, President of United Drug, had been placed in the hands of trustees. It is no criticism of the management, but apparently the company had gone blithely ahead with expansion plans, and at the time the business depression came upon the country, was engaged in the financing and development of the Seamless Rubber Company, a subsidiary, which is said to be operating profitably now, but which undoubtedly embarrassed the parent company in 1920 and 1921. Mr. Liggett explained at the time, of his financial embarrassment, that he had purchased United Drug common at 142 and continued to buy it right down to 80. In the summer of 1921 Mr. Liggett, according to his own statement, held 39,000 shares of United Drug Company and Liggetts International common. The writer does not pretend to know whether the bulk of this stock had to be liquidated subsequently, but common made its low of 46¼ in 1921, and after making that low, followed moderately the general trend of the market, which, of course, was upward.

There has been a gradual increase in the number of stockholders, the proportion of apparent wider distribution being especially noticeable in the common stock. The number of common stockholders on Jan. 1, 1923, was about 7,500, as compared with less than 5,000 on Jan. 1, 1921. The net result of the war inflation and the post war deflation was to increase the funded debt of the company by roughly 14 million dollars, and to decrease profit and loss surplus from 5¼ millions where it stood at the end of 1919 to approximately 3 million dollars at the end of 1922. The increase in the funded debt represented the funding of bank loans, which was not an experience peculiar to United Drug but which was quite a common occurrence with industrial corporations who were in the midst of an expanding business when the blow fell. United Drug now has interest charges of approximately $1,120,000, equivalent to between 3 and 4% upon the common stock. The 20 year 8% notes which are due 1941 are not secured by mortgage, and are therefore principally dependent for investment standing upon earning power. If it had not been for deductions to adjust inventory in 1921, interest on bonded debt would have been covered, and 1921 was the low year. In the year ended December 31, 1922, interest charges were earned three and one-half times.

The 20 year 8s are convertible into common stock prior to 1931 at $110 a share, a privilege which has no present attraction and which apparently will not have an attraction until earning power goes to a point where dividends in excess of the present rate of $6 on the common stock are safely possible. It does seem, however, as if earning power under normal conditions ought to afford fair protection for these notes.

Conclusions

Aside from the changes in financial structure which the business depression made necessary another interesting point has been the steady increase in the volume of business. Last year the company had sales of over 60 million dollars, against less than 41 millions in 1917. Judging by the gross sales in the first quarter of 1923,

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U. S Industrial Alcohol Co.

A Mystery Stock That Is Not a Mystery

Some Facts, Stockmarketwise and Otherwise, About Industrial Alcohol

By HENRY FRANKLIN

MYSTERY stocks are popularly supposed to be popular, to ignite the speculative imagination and create a rush of buyers. Except for once in twelve months, U. S. Industrial Alcohol is more or less of a mystery stock in that its earnings, prospects, and general all around condition, are subject to rumor and conjecture with the facts awaiting the annual statement of earnings. Even this report is not particularly illuminating and does not afford shareholders special insight into conditions. For example, the annual statement for 1922 in addition to the profit and loss statement and balance sheet contains only a few brief remarks from the chairman of the board as follows: "During the first half of 1922 the demand for our products was dull, and low prices were reflected. A tank steamer foundered, entailing a loss of $136,297 above the insurance carried. This tank steamer was replaced and two others, each of 7,500 tons, were also purchased. The business of the U. S. Chemical Company is increasing and provision will be made for larger production of present products, and the manufacture of new products."

Last year, earnings were equivalent to $3.68 a share upon the common stock, indicating partial recovery, at least from the slump of 1921. Since the first of January, business is said to have accelerated its pace, and there have been rumors that these earnings would be large enough to inspire hope of dividend resumption. But this is also surmise and conjecture, and the common stock in times of market stress does not show any peculiar or outstanding powers of resistance. It follows the trend.

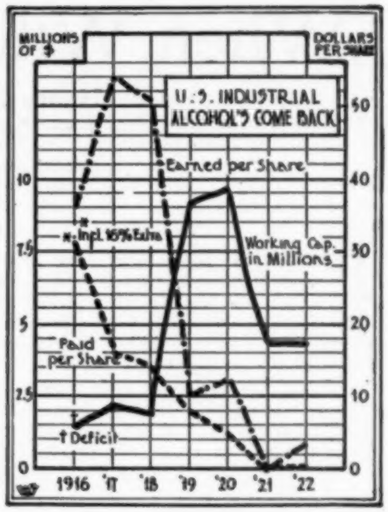
Some History

Industrial Alcohol was a cheerful earner during the war period. In 1917 and 1918 net income was in excess of 13 million dollars, more than has been earned, as a total, in the four years subsequent. The company did not suffer any more seriously than many other industrial corporations during the business depression, came through the trial without having to do any financing and without incurring a floating debt, which suggests that any such development will be necessary. Known particularly as a manufacturer of industrial alcohol, the company gives indications of attempting to diversify production and to widen its earning base. A number of processes using alcohol as a base are being developed, one of which is known to the public as "Alcorub," which is used for massage purposes, and not as a beverage.

A few years ago, a lot was heard of Alcogas, designed as a substitute for gasoline. There is no information available as to whether the experiments conducted indicate the success of Alco gas, and it seems to have disappeared as a speculative talking point. The U. S. Industrial Chemical Company, of which mention is made in the annual report is a reorganization of the Curtis Bay Company, a subsidiary of U. S. Industrial Alcohol, and it would appear that this company is the most important earning source which represents the largest possibilities.

Naturally, general industrial activity means an increased consumption of industrial alcohol, and on this basis it is logical to assume a large volume of orders for at least the past six months. In the last part of May, price of commercial alcohol was increased to 30c a gallon, which compares with about 20c last year. This speaks well for possible profits.

There is a company in Cuba called the Cuba Company, which is a large land owner, and also controls the Cuba Railroad. The U. S. Industrial Alcohol is said to own 10% of Cuba Company's stock which was divided into 160 shares of



$50,000 par value. A readjustment in the capital of Cuba Company stock is under way and it is unofficially said that the net result will be paper profits of over $700,000 for U. S. Industrial Alcohol. This is mentioned not with the idea of giving this ownership in Cuba Company as a reason for the purchase of Industrial Alcohol common but to explain a situation which might very possibly cause some temporary speculative interest in the common shares. If the Cuba Company adjustment is made there may be talk of distributions to Industrial Alcohol shareholders, etc., at least in speculative circles.

Conclusions

In the past, the shares have been so subject to rumors, so many of which have never been borne out, that the writer does not believe that the shares are as popular as they were a few years ago, and doubts that as a result of experiences during the war period they have gained an especially stable place in speculative sentiment.

Ahead of the common stock is an issue of 6 million dollars 7% cumulative preferred, on which dividends have been paid regularly since 1907. Even with this record the highest price which the preferred has ever sold was 111 in 1919. The book value of the common stock is in the neighborhood of $140 a share which will give an idea of the equities back of the preferred stock. It may be that knowledge concerning the company's business is so limited as to hurt the investment position of the preferred stock, but certain it is that it does not sell at levels, to which on casual inspection it would seem entitled. As a purchase for a business man who is able to watch and keep an eye on the stock market fluctuations, the preferred stock appears to be all right, but it is not for the forgetful investor.

Common stock of Industrial Alcohol was doubled in 1919, and the dividend rate on the increased capitalization was placed at $8, which at the time seemed fairly conservative. In 1920, $5 was paid, and payments were suspended altogether in September, 1921. The stock sank to 35¼ in

(*Please turn to page* 472)

U. S. INDUSTRIAL ALCOHOL

	Operating Income	Net Income	Earned on Pfd.	Earned on Common	Annual Surplus
1915	$2,259,784	$2,172,013	36.20%	$14.60	$1,752,000
1916	5,044,344	4,756,000	79.20%	36.13	4,336,000
1917	12,511,277	6,980,420	116.34%	54.65	2,720,400
1918	14,073,103	6,621,309	110.35%	51.60	4,281,300
1919	4,426,265	2,834,858	47.25%	10.00	404,858
1920	5,102,832	3,298,920	54.90%	12.00	958,924
1921	*82,638	*585,379	.....	.....	*2,205,379
1922	1,686,643	1,303,512	21.70%	3.68	883,512

* Deferred.

When Will the Fertilizers Recover?

Henry Ford's Muscles Shoals Project a Factor—The Depressed Condition of the Farmer and Its Effect—Outlook for the Leading Fertilizer Shares

By FREDERICK LEWIS

PROBABLY no industry was more severely affected than the fertilizer industry in the deflation period of 1920-21. The big break in the price of commodities not only killed the buying power of the farmer, but it also impaired his financial condition to such an extent that he was unable to pay his bills. The fertilizer companies had been doing a very large business on credit and outstanding accounts among the farmers that ran into many millions of dollars.

The combination of frozen credits, price cutting, big inventories and poor business, naturally resulted in heavy deficits. Unfortunately, the buying power of the farmer has come back but slowly and while there has been some improvement, it has not been sufficient to enable these companies to show even a fair earning power up to the present time. They have to be very careful in granting credit and, as a result, approximately 65% of sales are now for cash. Actual profits on cash sales of fertilizer are less than on long-term contracts and competition for this kind of business is unusually keen.

The securities of the agricultural chemical companies have naturally had very drastic declines in the stock market, but discrimination should be exercised in making purchases, for the outlook is still uncertain.

Prices of many farm products are still relatively low and indications are that there will not be any important advance in these prices for some time to come. Apparently a period of keen competition with a relatively small margin of profit has to be faced by these companies and only the strongest are likely to make a respectable showing under present conditions.

In this article, a brief analysis is given of the four leading fertilizer companies: American Agricultural Chemical, International Agricultural, Virginia-Carolina Chemical and Tennessee Copper & Chemical.

American Agricultural Chemical and Virginia-Carolina Chemical have shown excellent earning records in past years and should this earning power return, their securities would undoubtedly be attractive at current prices. However, there are many factors which indicate that a complete return of this old earning power is unlikely. There has been a tendency recently among farmers to make their own fertilizer through the purchase of acid phosphate and other ingredients. This is tending to make competition more severe with resultant price cutting. Then, again, looming in the future, is the Henry Ford Muscle Shoals Project to supply cheap fertilizer to the farmer. Under these conditions, past earning power should not be given too much weight in judging the merits of these securities at the present time. An exception is Tennessee Copper & Chemical which manufactures and sells acid phosphates and sulphuric acid and not the finished fertilizer product. The earnings of this company appear to be on the up-grade.

Virginia-Carolina Chemical

Bonds Vs. Stocks

AS most of the Virginia-Carolina Chemical business is south of the Mason and Dixon Line, the advance in the price of cotton over the past year has been of material benefit and has improved the company's collections as well as bringing an increased demand for fertilizer. This improvement in the fertilizer end of its business, however, has been more than off-set by the losses sustained by a subsidiary, the Southern Cotton Oil Co., which does about 40% of the total business.

For the two years ended May 31, 1922, the company reported a deficit, totalling more than 17 millions, while no official figures have been given out covering the fiscal year ended May 31, 1923, the management has admitted that after proper charges for depreciation, red ink figures will be shown. It is thought that the deficit may run as high as three millions. Last year the company sold 22½ millions first mortgage 7% bonds and 12½ millions 7½% bonds, in order to provide funds for the retirement of the existing bonds and for additional working capital. This financing enabled the company to pay off a considerable portion of its bank loans and at the present time, ratio of current assets to current liabilities is approximately 2½ to 1.

The company still suffers more or less, however, from a frozen credit situation, and although many of its customers in the South have been paying their debts, there are still a number which can be regarded as permanently red figure debts and will have to be written off. With the outlook for the cotton seed oil industry unsatisfactory and the outlook for the fertilizer end of the company's business only fair, it will probably be some time before the company can expect to do better than earn the interest on its funded debt.

Although the preferred stock at 21 and the common stock at 7 have had very substantial declines from their high levels this year, the outlook for the company hardly justifies an optimistic attitude on these securities. Certainly they do not appear to be in nearly as good a position as the American Agricultural Chemical stocks.

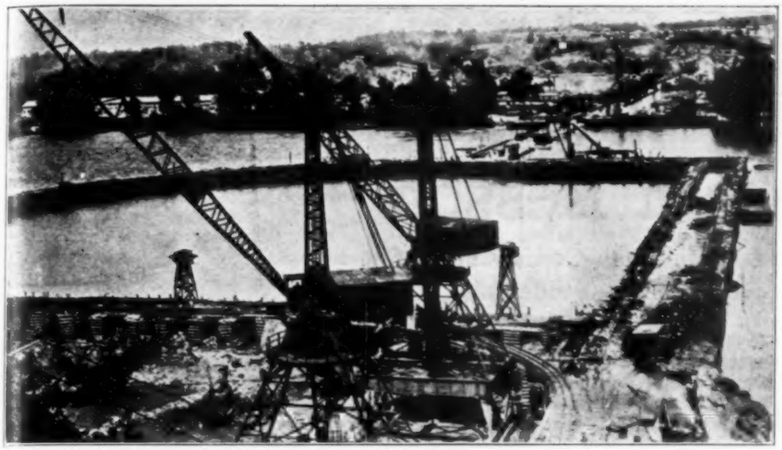
Virginia-Carolina Chemical interest charges on present funded debt amount to 2½ millions annually, an increase of about a million as compared with charges in previous years. It is questionable whether the company can earn much more than this under present conditions and should there be any turn for the worse, the possibility naturally exists of a capital readjustment which would scale down its funded debt. Under the circumstances, the convertible 7½s series A due 1937 of which there are 12½ million outstanding, must be regarded as in a speculative position. The present price of 60 has already discounted to a large extent the uncertainties in the situation and they are not without possibilities of showing enhancement in value from these levels. These bonds, however, are not secured by mortgage and the purchaser in buying these bonds assumes a certain degree of risk.

The first mortgage 7s, due 1947, are in a much stronger position as they are se-

THE FERTILIZER COMPANIES

	Capitalization				Net Income			Price Range 1922				Present Price	
	Bonds (In Millions)	Pfd. (In Millions)	Common (No. Shs.)	†Ratio	1920	1921	1922	Preferred High	Preferred Low	Common High	Common Low	Pfd.	Com.
‡Amer. Agricultural Chem.	$36.2	$28.4	333,221	7½ to 1	5.2	*11.1	*1.1	68⅞	34	36⅞	13¼	36	14
‡International Agri. Chem.	8.6	13.0	72,606	1⅓ to 1	2.5	*2.3	*0.6	39⅞	10⅓	11	2⅝	11	3
Tennessee Copper & Chem.	2.4	None	794,426	8 to 1	*0.2	0.1	0.3	..	..	12¾	8	..	9
§Virginia Carolina Chem.	35.5	21.5	349,805	2½ to 1	7.3	*15.6	*1.7	69	17	27	6¼	21	7

* Deficit. † Ratio of current assets to current liabilities. ‡Years ended June 30. § Years ended May 31.



One of the things that is hurting the fertilizer business. The Government project at Muscle Shoals, which Henry Ford is angling for, to produce cheap fertilizer for the farmer

cured by a direct first mortgage on all of the real estate and plants now owned or hereafter to be acquired. **This issue is entitled to be rated as a business man's investment and at present levels of 80 appears to offer a good opportunity based on the record of the company over a long period of years, its present financial condition and the big asset value behind the issue.**

Tennessee Copper and Chemical

An Attractive Low-Priced Issue

THIS company is in a different position from the other fertilizer companies, because of the nature of its business. Its principal product, sulphuric acid, is used in fertilizer, but is also used for many other purposes, and the prosperity of the company is not entirely dependent upon the fertilizer industry. It is also a manufacturer of acid phosphate, a large percentage of which is sold direct to other companies. Tennessee Copper & Chemical, therefore, was not obliged to extent credit to farmers and avoided the losses sustained by other fertilizer companies through bad accounts. During the war and inflation period, this company sustained substantial losses, largely because of a 10 year contract with the International Agricultural Corp. to supply sulphuric acid at a fixed price and which higher costs made unprofitable. This contract expired December 31, 1920, however, and from that time on, the company has been able to operate at a profit. In 1915, 200,000 shares of common stock were sold at $16 për share, and in June 1919, 400,000 shares were sold to stockholders at $12.50 a share. This financing placed the company in strong financial condition and working capital at the present time is in excess of 3.6 millions.

In 1922, the company put in many improvements, including the flotation process at its Copper Hill property, a new copper sulphate plant and a new acid phosphate plant. Increased demand of the company's products occurred in 1923, and earnings are now understood to be running at the rate of over $1.50 a share.

In March 1923, dividends on the stock were resumed at the rate of $1 per share per annum. In view of the strong financial condition and satisfactory profits now being shown, the company should be able to continue this dividend unless conditions take a turn for the worse, which is not anticipated at this time. **At present levels of around 9, the stock gives a return of 11% and is not unattractive as a spec-vestment.**

American Agricultural Chemical

Strong Financial Position

DESPITE the 12 million dollar loss sustained in the 1921-22 fiscal years, American Agricultural Chemical at the present time is in the strongest financial condition in its history. Before demoralization took place in the fertilizer industry, the management, seeing trouble ahead, put out a 30 million dollar issue of first and refunding 7½% bonds and was able to arrange this financing on satisfactory terms. As a result, working capital is now far larger than in previous years, totalling about 47 million dollars. The company has no bank loans. Ratio of current assets to current liabilities is approximately 7½ to 1. This company, unlike the Virginia-Carolina Chemical, has not suffered from subsidiary troubles. It has no cotton oil subsidiaries. Some of its affiliated companies are engaged in the manufacture and sale of bone black, glue, gelatine, soap, etc., but these have been operating profitably. The management will not make any definite prediction as to what the report for the year ended June 30, 1923, will show, but as the company has sold approximately 15% more fertilizer than last year, it is probable that interest charges were covered. The management has made strenuous efforts to reduce over-head and manufacturing costs and the company probably stands today ready to produce fertilizer more cheaply, relatively speaking, than in many years as a result of the economies put into effect.

While it is too early to talk of resumption of dividends on the preferred stock, at present levels of around 36, it appears to have good possibilities for the long pull. Working capital of the company alone, after deducting funded debt, is equal to $37 a share on the preferred. Net tangible assets of the company allowing nothing for brands, trade-marks, patents and good-will are equal to over $200 a share on the preferred. This issue is entitled to 6% cumulative dividends and up to the present time, unpaid back dividends amount to 13½%. Earnings for ten years ended June 30, 1922, averaged 9.2% on the preferred stock. From 1899, when the preferred stock was issued, up to 1921, the 6% preferred dividend was paid without a break.

The common stock at 14 is not without long-pull possibilities, but it does not appear as attractive as the preferred, in view of the back dividends which are accumulating on the latter issue.

The 30 million first and refunding 7½s of 1941 selling around 97 make an attractive business man's investment, as they are a first mortgage subject only to 6.2 millions prior liens on property valued at over 100 millions.

INTERNATIONAL AGRICULTURAL CHEMICAL

International Agricultural Corp. during the years 1916-1920 inclusive, was able to report substantial profits, but these profits were largely a result of the above-mentioned contract with Tennessee Copper to supply sulphuric acid at a fixed price. Previous to 1916, the company's earnings were hardly sufficient to cover interest on the funded debt.

This company is in the weakest financial condition than any of the fertilizer companies, loans and notes payable June 30, 1922, totalling close to 12 million dollars. It is true that current assets exceed current liabilities, but included in current assets are 10 million accounts and notes receivable, a large part of which is not immediately collectable. Under present conditions in the fertilizer industry, it is very unlikely that this company could successfully finance through a bond or stock issue and should the banks refuse to continue these large loans, the company would have to be reorganized. In view of the weak financial condition of the company and the indifferent outlook for its business at this time, it is inadvisable to make commitments in either the stocks or bonds, despite the relatively low levels at which they are selling.

School for Traders & Investors

Ninth Lesson

About Reactions—Confessions of a Newspaper Man—Students' Queries

IT is one of the greatest wonders of this universe to me that a sane man, five, ten, twenty years in Wall Street, an active operator can still look upon the Street as the only place in the entire universe that has escaped the mighty clutches of infinite law. It's funny. At times it is pathetic.

If a mechanic should tell the regular Wall Street trader that natural laws have nothing whatever to do with the operations in a machine shop, he would be looked upon as crazy. Ask any man in the Street if he believes in the infinity of law. He will tell you yes. He will tell you more: That no man of practical sanity would ever think of "bucking" a natural law. Indeed, he may boast with a warmth of admiration about the hard-headed, cold-blooded man of the Morgan type, who takes life, like a chemist, as he finds it.

Where Enthusiasm Holds Play

Yet you will find one man in five hundred in the Street who does not continually "buck" natural laws. The average trader is as much an idealist as any Sunday school scholar you ever saw, buying and selling on the strength of hope, enthusiasm, fear, mere human egotism. He does not take stock in life, as it is. He is not a cold-blooded operator like a man at the lathe, the builder, or the farmer. Boil the market, and he will dance and gesticulate with the glee of a mad Indian. Calm the market, and keep it calm, and no more miserable man can be found in all this world. The fact is, the average trader in Wall Street is not a practical man of hard horse sense. He is too much a listener, and not enough a thinker; an enthusiast—not an analyst.

For example, take that simple stock market phenomenon, the reaction. You think it highly intelligent and practical that the government should spend millions trying to unravel the secrets of the weather. Yet there is nothing man ever did or can do more freakish, uncertain and accidental than the weather. You hold the scientific conclusions of the economist in high repute, and you admit that the underlying principles of political economy are substantially similar to those which control the main swings of the stock market. You consider these subjects a proper field for scientific investigation.

Yet you may have had ten or twenty years experience in the stock market, and not once in all that time have you asked yourself, in either a philosophical or a scientific sense, what that simple, commonplace thing we call reaction is! If I ask you what it means to you, you will hump your shoulders: "I don't know—search me."

"But," I insist, "you always see it. It follows the movement as the shadow follows the sun. Hasn't its persistent uniformity struck you? You often say yourself that a 'reaction is due.' What do you mean? That it is a law, an accident, or what? It has at least some status in the universe. What is it?"

Has it ever dawned on you that in this commonplace-looking reaction you might possibly be up against a law of the universe just as omnipresent and inevitable as the laws of motion, matter or gravity, and in whose infinite clutch Morgans, Reids, Moores, Rockefellers, Stock exchanges, are but trivial atoms?

The Inevitability of Reaction

You have never seen stocks go up and down without scores of reactions, big and little. You have never seen a flood tide or ebb tide without reaction—that constant swashing ahead that could not sustain itself and had to come back again to the main body. It makes no difference where you look, you'll see it. It isn't a Wall Street peculiarity—it's everywhere and in everything. Stir any liquid and you'll see it. Strike a wire and see it. In all your thirty, forty, sixty years have you ever seen anything that did not run to an extreme, farther than it could sustain itself, and have to come back again? Was it fear? joy? love? ambition? war? peace? stocks? success?

Are we not justified in concluding from what we see of reactions on all sides of us that a force, any force, can impress farther than it can sustain, and that this is an infinite law? Would this not at least be a more scientific basis to trade on than that the "buying of Union looks good?" If there can be no cause without an effect, and that law be infinite, is it not just as true in Reading as in anything else? If the line of least resistance be an infinite law, is it not just as true in Steel as in water running down hill?

The Mover Moved

The fact is, you are up against a big law here that *moves Morgan to move stocks.* It is the law, not Morgan, or others like him, that is master of every instant. Trade on that basis and you'll eventually win out; trade on any other basis and you'll be stripped to your shoestrings. That law is in every breath of the universe. In every movement, no matter of what nature or cause, a certain percentage is unsustaining, exaggerated, and has got to come back, as surely as the stone is tossed up.

Meet a physicist and he can tell you that the effect of an explosion is as the square of the distance from the center of the explosion. Any high school lad can tell you that when a tuning fork vibrates 256 times to the second it will create an air wave four feet four inches long. Who in the Street can tell you today how many times or how far Union or Reading will vibrate when struck by this or that blow?

The man who invests his dollars in accord with natural laws is a reasoner, a man to be respected, and he will succeed; but the one who puts them on "manipulation," the sovereignty of man, is a mere trembling jellyfish, a creature of instinct and impulse, and he will eventually fail.

There are many causes for reactions, and there are also many advantages in them—advantages both to the market itself and to the trader or investor who is trying to interpret the various movements.

Among the causes for reactions are the following: The market for a stock will become overbought, that is, the buying power for the moment will be exhausted. As every movement in the market represents a contest between buyers and sellers, it naturally follows that in the more or less complete absence of buyers, the sellers temporarily have the upper hand, and the pressure of their selling produces the reaction. It is immaterial whether the sellers are composed of floor traders, large operators, or those semi-professional outsiders who, but a moment previous, were buying; the effect is the same.

The Advantage of the Floor Trader

Many of the small daily swings of the market are the result of buying or selling by floor traders. When a stock slides off a point or more, the nimble scalper on the floor will take a chance on the long side, just because it has had that one point decline. If Reading breaks from 154 to 153, and the pressure of the selling orders seems to be letting up, he will take on 500 or 1,000 shares for the sake of ⅛ or ¼ point profit, and while the volume of such buying may be small in proportion to the selling which preceded it, its effect is quickly felt because of the small re-

sistance offered at the time. This will explain many of the ¼ and ½ point rises and dips, which are extremely difficult, in fact almost impossible, for the office trader to catch, but which are a constant source of profit to those who trade on the floor and pay no commissions.

It is pretty generally recognized that a normal rally is about half the previous decline, and an ordinary rise is likewise followed by a reaction running about halfway. This being generally, but not always true, we have in reactions an important indication for use in reading the market. No strict rules can be laid down, but the following will generally be found true: **A rally extending more than halfway is an indication of strength, and a decline amounting to more than half the previous advance, is an indication of weakness.**

If we could number the stock market moves it would be done by designating any initial movement as No. 1, and its halfway reaction as No. 2. The reaction being completed, we must be on the lookout for the next indication which will give us a clew to the inherent strength or weakness of the market or the stock which we are watching.

When a stock declines from 80 to 76, its normal rally would be 78. If it creeps up sluggishly to 77¼ and shows lack of rallying power, it must be considered weak. This is especially true if it is a long while accomplishing this rally. On the other hand, if the rally is sharp and covers only a short period of time, we are given an indication that the stock was scarce at the low level, and that there is an active demand either from shorts or bull speculators and investors.

Having rallied the two points, a reaction (decline) of one point is in order. This might be called movement No. 3. Should this extend only five-eighths or three-quarters of a point, it indicates strength in the technical position of the stock, particularly if it passes through a comparatively long interval without declining further.

Not a Set Rule

We do not wish to be understood as saying that when a stock advances four points it *should* react two, this half-way mark being more or less a normal reaction is simply a theoretical measuring point. If it reacts more than that it is apt to indicate weakness; less than half, strength. But, of course, there is no set rule about this and it is all a matter of interpretation with relation to what else is going on in the market at the identical moment. If after a rise to 78 it breaks off again quickly to 76½ or 76¼, the inference is that the buyers were mostly short and, the demand from this source having been eliminated, the stock has assumed a weaker technical position, owing to the comparative absence of buyers.

It must be remembered that, having bought a stock, the buyer thereby assumes a bullish position, but as he cannot take a profit or loss without selling, he is a potential seller, and the only thing he can do, viz., sell, will have a bearish effect on the market. In the same way, any one who is short, though at heart a bear, is a potential buyer, because he cannot close his transaction without purchasing, and therefore influencing the market in an upward direction. So when a large number of shorts have covered, the demand from this source is exhausted, and sellers are immediately thereafter likely to dominate the market price.

To judge reactions accurately, therefore, is to measure the momentary buying and selling pressure. And carefully to compare and judge the length and importance of the first, second and third movements in relation to the preceding movements, is a matter of expert market interpretation. Look over any graph, and you will find that it consists of numerous primary and secondary swings as well as those of less importance. The tops of the rallies show where the greatest selling resistance is encountered, and the bottoms of the breaks indicate the main supporting points.

A quick and violent primary movement is apt to be due to some development of great importance to an individual stock or to the whole market; and the probability that the new level of prices will be maintained depends upon whether this primary movement had a sound basis. The most substantial movements, however, are those of steady growth. In such movements the reactions are simply indications of pressure. They show how strong the selling pressure is, and whether buyers are ready and willing to take advantage of setbacks to purchase more stock. How long would a bull market last which started from panic levels and shot upward to boom prices within a couple of months? It would be a case of mushroom growth and could not be sustained. A market which gradually works into higher levels, and where the supporting points are steadily raised, is a normal bull market. Its graph record looks like a flight of steps, the extremes of the minor fluctuations representing merely temporary excess of buying or selling.

Confessions of a Newspaper Man

Newspaper Financial Gossip As Revealed by One Who Knows

"I AM very glad to see that you are undertaking to educate the traders and investors who read your periodical, and I believe that a large number of others will thereby be attracted to your valuable publication.

"As a newspaper man I wish to add my contribution to this very worthy cause, by saying that the average man who comes into Wall Street pays entirely too much attention to the financial opinion and gossip contained in the daily newspapers. For many years I have been engaged as the head of the financial department of a certain daily newspaper, and it was my business to collect data and information concerning the various markets of this country. I therefore feel qualified to say that the items containing the so-called comments on the market, or interpretation of the market's previous action as we find it in many of the newspapers, are not entitled to the respect which is given them by those who are dealing in securities, because they relate to what has happened and seldom have any material bearing on the future.

"As it is this future which should be the first consideration of any one who expects to invest profitably or trade successfully, I wish to go on record as saying that the future of the stock or bond market is not to be found in the columns of the newspapers. The present and the past, yes; but not the future. This is something that the investor must learn to figure out for himself.

"He should bear in mind that the reporter gathers facts, rumors and so-called information which merely reflect what has already been discounted in the market prices for stocks. The newspaper man is not a seer, forecaster or a clairvoyant, but merely one who reports the events that have already occurred, and the sooner the would-be successful investor or operator understands this clearly, the sooner will the financial columns of the newspapers take their proper place in his mind.

"It is all right for the student to take out of the financial columns the facts that really have a bearing on the future and with these as a basis endeavor to come to his own conclusion as to what the market is likely to do. But the proof that this is not generally recognized or practiced is found that in my daily journeys in and out of the brokerage offices, the question I encounter wherever I go is the same: 'What do you know?' They seem eager for information. They want to be told what to do, what to buy, what to sell, but they don't seem inclined to think things out for themselves. I wonder if they run their own business that way?"—C. H. M.

STUDENTS' QUERIES

Communications should be on a separate sheet of paper, addressed to The Professor. Space will be given to those subjects which are most in demand and will be printed as soon as there is room for them in this column.

How can I use the put and call method to protect my trades?

You can use puts and calls to protect your trades, but this is practical only in certain instances. For our part we prefer stop orders to puts or calls. If you are long of 100 U. S. Steel common at 106, and the market is very dull, and you wish to secure protection by means of a put on Steel, you would probably have to pay $150 for a put at 103, which means that at any time during the life of the privilege, say thirty days, you would have the right to deliver 100 shares of Steel common at 103 to the person who signed the privilege. This would be an advantage if Steel common should suddenly break to 95; that is, even while the stock were selling at that figure, you could deliver the

(*Please turn to page* 463)

BUILDING YOUR FUTURE INCOME

A Department for the Man with His First Five Hundred Dollars

Go Ahead and Spend It!

BE a spendthrift. Spend every cent you can call your own. The more you spend the more we'll admire you.

Buy a house. Buy the very best darned house you can find. Buy it at the best price you can get, of course; see that the cost of owning it will not be more than you can manage to scrape together; be careful about a clear title, and such things; but buy it! (You could raise money by mortgaging it, at any time, if you liked.)

Buy furniture to put in the house. Buy the very best furniture the stores will let you have—good, strong, substantial furniture, of course, but furniture that anyone would be proud to have just the same. Get a little unbiased criticism before deciding, so you won't clutter up your place with monstrosities. If your immediate cash on hand isn't enough to equip the whole house at once, equip it room by room; if your cash isn't enough to equip it room by room, equip it corner by corner; but equip it! (Good furniture can be made security for a chattel mortgage in times of stress.)

Buy some Insurance—lots of Insurance, in fact—the more the better. Buy all the Insurance you can carry. Select your Insurance with an eye to Protection, at the start, for Protection is the primary purpose of Insurance and the cheapest form of Insurance to be had. Select it with an eye to your children's education, after that. Select it with an eye to your own—and your wife's—old age, after that. But get it! (You'll be able to borrow money on it to spend on something else, soon.)

Buy some Securities. Start out with a hundred dollars' worth of bonds, first, if that's all you happen to have with you. If you haven't even that much with you, buy something like these Guaranteed Railroad Stocks—often to be had, in odd lots, at a few dollars apiece. If you haven't even that much, buy some Building & Loan Certificates, which you will find available at the rate of two or three dollars a month. Buy these securities for their Income Merits; but buy them! (Investment securities will produce 60% of their value in the form of bank loans most any time.)

Got anything left over? Don't hang on to it. *Spend it!* Spend it!

But spend it on real, tangible and negotiable property.

That's the sort of property it's the fullest, *real*est satisfaction to have. It's the sort of property people will envy you most for having. It's the sort that costs most, and it ought to appeal to you for that reason even though it does last longest. It's the sort you can't manage to have too much of, and which will bring the fullest happiness and luxuries and comforts of life to you.

Lavish buying of real, tangible and negotiable property has turned many a spendthrift into a millionaire. Go ahead and buy!

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If I Were Building —or Buying— a Home

2—Precautions I Would Take As Regards "Improvements"

By Jason Thomas

IN the last one of these informal talks to home-owners, I suggested a few more or less generalized rules which it seemed to me an intending owner might well take into consideration before selecting the site, or location, of the home he had in mind. Among these rules was one having to do with the question of whether or not the property was "improved" or "unimproved"; and about this question of improvements I threatened to have more to say at my first opportunity.

The present looks like the opportunity.

The term "improvements," as used here, refers to such installations as road pavements, sidewalks, sewers, etc. By "improved property" is meant property enjoying all of these advantages; by "unimproved property" is meant property which enjoys none of them.

It is more or less obvious that property located in, or on the outskirts of a community having any tendency toward growth at all will have to have such improvements as these, sooner or later. They are part and parcel of a community's equipment, and essential to the comfort and well-being of its residents.

What the Home-Owner Should Consider

There are three angles from which the intending home-owner needs to consider this improvement question; first, from the standpoint of living comforts; second, from the standpoint of the investment qualities of his residence, and third, from the standpoint of what might be called "uncertified expense," or potential added expense, of uncertain amount, likely to be added to his capital investment.

Of the first angle—the angle of "living comforts"—little needs to be said. It is self-evident that a home which does not enjoy such improvements as I have specified will be lacking in some degree of comfort and livableness.

The second and third angles—investment qualities of the home and "uncertified expense"—are, in a broad way, one and the same thing, and therefore may be considered together.

Improvements, from the investment-and-cost point of view, are subject to widely different regulations in different communities. For example, in some communities improvements cannot be installed without the consent of the property-owners immediately benefited, whereas in other communities improvement projects derive their authority from all the property owners of the place. Also, it is sometimes the law that a large portion of the expense of installing improvements shall be borne by the property owners immediately benefited, while at other times the cost is pro-rated and borne by all the property owners, reflecting itself in the tax rate.

Where improvement-costs are distributed over all the tax-payers of a community, the cost to any individual resulting from a single improvement project are naturally considerably smaller than in the opposite case. On the other hand, one's liability becomes extended over an area just so much broader.

At any rate, it is certain that for an intending home-buyer to settle upon a community or a special location without careful investigation of the improvement question is for him to take no little risk.

A Case in Point

As an instance of what improvement-charges can do to a home-owner's budget where the benefiting property owners bear the brunt of the cost, the example may be cited of a case brought to my notice a while ago of a man who bought a home for $5,250. This individual had not, evidently, taken his improvement-liability into consideration, if indeed he had thought of it at all; and so the shock was considerably greater to him than it might otherwise have been when, shortly after moving in, he received a bill of $380 for a new street pavement; another bill of $135, representing his share of a district sewer assessment; and, finally, a special assessment of no less than $340 for "opening new streets." In addition to the foregoing, this individual received a tax bill of $364, and reports that he had to pay the city "for interest and other charges" the further sum of $504.

In other words, due to improvement charges alone (disregarding taxes and interest, etc., paid the city), this poor fellow found he had to increase his capital investment by some eight-hundred dollars, or around 16% of the original cost of the place.

I believe this to have been an exaggerated and most unusual case. For one thing, this individual was a speculator—that is, had bought the property in the hope of turning it over soon at a profit and without any idea of locating there himself—and so he had chosen a plot in an entirely new development district, whose merits consisted largely in the exorbitant recommendation of the salesman. The community not only had to be built up in this case, but it still had, even, to be *opened* up. Under the circumstances, the excessive improvement-charges were more or less inevitable.

At the same time, this unusual and exaggerated case serves a purpose in so far as it emphasizes the limits to which improvement-charges can go. It gives a pretty impressive illustration of the importance of (1) finding out what the ordinances, as concerns improvements, are of the community, in which you are thinking of locating, and (2) noting what, if any, improvements of the sort specified are lacking in the community, or district, under consideration and (3) taking the possibility of an improvement assessment into consideration, either as regards your capital investment or, if you prefer, your carrying costs, so that, should such an assessment develop, you will be ready and prepared to meet it.

THIS IS THE SECOND—

of a series of practical articles to appear here, dealing with the problems of home-building and home-buying. It is believed that, in each article in the series, the intending home-owner will find a very pointed suggestion or warning that will help him "keep out of trouble."

How Small Investors May Overcome The Obstacles in the Way of Success

A Suggestion, Founded on Actual Practice, Whose Advantages Seem Manifold

The many subscribers who have asked for copies of the ARTICLES OF AGREEMENT used in the Investment Association described by Mr. J. L. Monarch in our June 9th issue are referred to the reprint of these ARTICLES (obligingly furnished by Mr. Monarch) conveyed on the page following.

THE small investor, struggling to attain financial independence, finds himself confronted with many handicaps peculiar to his kind alone.

(1) He cannot buy many of the most excellent investment bonds, because of the, for him, over-high denominations in which they are issued.

(2) He cannot, to as great an extent as would be desirable, diversify his security purchases, thus reducing the average-risk assumed, because of the over-large capital satisfactory diversification requires.

(3) He cannot, on orders for purchase or sale of securities, secure the "better execution" that is accorded dealings in full-lots, because he cannot afford to deal in full lots. Instead, he must be contented with odd-lots, which is to say lots of less than 100 shares.

(4) Scientific or professional advice, special opportunities, comparatively high interest return—these advantages, in the greater degree that they are often enjoyed by the wealthy men, are generally beyond his reach.

Is it any wonder, with all these handicaps standing in his way, that the average small investor's progress toward financial independence becomes painfully slow?

Is it any wonder that many well-intentioned investors, hopeful though they may have been at the start, become discouraged long before their goal comes within sight?

Or that their discouragement develops into impatience, their impatience into recklessness, and their recklessness into—ruin?

Can the Handicaps Be Removed?

Granting that these handicaps do exist, and that they confront the small investor at every turn, one wonders if there is not some way of surmounting them—or of removing them from the investor's path.

And as one's thoughts travel over this plan and that, this idea and that, in the search for the "way out," one is finally led to wonder whether the principle of the Investment Association is not the best, if not the only, solution?

The Investment Association, so-called, is merely a method of **pooling** the financial resources, the brains and the energies of a number of investors.

In the last analysis, it is a simple mechanism whereby, say, ten men are enabled to invest ten times as much money as any one of them could invest, with the element of risk reduced to one-tenth what, in the case of the individual investor, that risk element would necessarily be.

It suggests a way round each of the handicaps the small investor encounters. Thus,

(1) Through membership in an Investment Association, the investor might become able to buy at least a part interest in many of the excellent investment bonds which, because of their over-high denominations, are not now available to him as an individual.

(2) Diversification of his purchases on a scale reckoned according to the number of other persons in the Association would become possible. Thus, ten men, as an Investment Association, would theoretically be able to spread their joint commitments over ten times as many different securities as any one of them could do alone. Actually, of course, the increase in degree of diversification might not be quite so large.

(3) In larger measure than would be possible for individuals, the Investment Association could deal in full-rounded lots, as opposed to odd-lots, to the obvious advantage of its members.

(4) The Association, having ten times as much capital as the individual, would assume a position of that much greater prominence and importance in the investment world. As a unit, it could, in varying measure, secure unto its members benefits of various sorts which, in all probability, they would not otherwise enjoy.

Not a Particularly New Idea

The impression should not be gleaned that the principle of the Investment Association is new, unique, untried.

On the contrary, it is one of the oldest and most fully exploited principles of finance.

The Savings Bank, which invests the joint accumulations of its depositors in an infinite number of mortgages and securities and pays its **depositors**, in the form of interest, a portion of the earnings it (the Bank) is able to secure is, in a perfectly practical sense, operating on the Investment Association principle.

The Building & Loan Association, which sells its own securities to investors, loans the funds thus collected to an infinite number of home-builders, pays its own shareholders, in the form of interest, a portion of the earnings, it is resultantly able to secure is, in an equally practical sense, operating on the Investment Association principle.

Probably the most perfect exemplar of the Investment Association idea, however, is to be found abroad—in England—under the guise of the Investment Trust. Here, a number of institutions, for well over sixty years, have operated on the true principle of the Investment Association.

A particularly intelligent description of these British Investment Trusts will be found on page 822 of this Magazine for October 15, 1921, in a descriptive analysis written by Mr. James Taylor Larimore. Why put into new words what Mr. Larimore has expressed cogently and well?—

"The British investment trust was established as a remedy for existing economic conditions. England had become, early in the nineteenth century, a developed country. Her industries had been organized, her roads built, her mines opened and operating, and her land cultivated and producing. Domestic premiums for the use of capital were no longer an inducement to the investor. The time had arrived when the savings and the accumulated wealth of the country were forced to secure the benefits from the higher interest rates abroad. The acuteness of the situation made it necessary to introduce some form of foreign investing applicable to small and large investors alike, and the establishment of investment trusts resulted.

"The investing accomplished by these organizations enabled the investors to secure a distribution of risk not only over many different securities of various types of industry, but also over different geographical areas. The individual investor secured the benefit of a judgment far superior to his own in the investing of his money, as the trustees had facilities for investigating and watching each of the many investments made by the trust. The trustees became acquainted with the various investing methods, the financial history, the economic position and the laws and customs of the different countries, which would be manifestly impossible for the individual investor. With this knowledge they were able to secure safely, for the stockholders, the high interest offered in foreign countries. In short, these investment trusts acted as "composite investors" for the thousands of their stockholders, each of whom, aside from the advantages stated, secured a proportionate interest in each of the many investments made by the trust.

"These trusts have paid, to their stockholders, dividends ranging on an average of between ten and fifteen per cent. per annum on the common shares. At the present time there are approximately one hundred and forty of the trusts whose securities are listed on the London Stock Exchange."

Nor is the principle of the Investment Association itself new or untried in this country. On the contrary, there are certainly a few, and probably dozens, of such Associations in actual operation over various parts of the country at the present time.

One of the simplest of these Associations—simplest, that is, in its Articles of Agreement and in its mechanical workings—was described by a reader of The Magazine in the June 9th issue.

This reader, according to his recital, had tired of the difficulties and handicaps that beset the small investor who travels alone. He, and nine friends of his, had gotten together with the intent and purpose of devising a way out.

They thereupon formed their own Investment Association.

And their results since (as brought out in the issue referred to) have demonstrated, so far as any demonstration would be possible considering the comparatively short period of operation, the potentialities of the idea.

What Should Articles of Agreement Be?

One might be led to assume that, in forming an Investment Association, exhaustive and exhausting research would have to be conducted prior to drawing up the Articles of Agreement.

Such, however, does not seem to be the case.

"Not more than one-twentieth of the issued Share and Debenture Capital shall be invested in any particular security other than Government Stocks, Public Funds, or Securities of the United Kingdom; no investment shall be made in the Shares of Companies upon which there is unlimited liability; not more than one-twentieth of the capital in all shall at any time be invested in Shares of Companies with limited (and uncancelled) liability, and then only with the unanimous consent of the directors." There are the most rigorous restrictions deemed necessary by one of the oldest of the British Investment Trusts, insofar as selection of commitments is concerned.

As for the restrictions, included in the Articles of Agreement, applying to the actual management of an Association, the authority vested in its chief official, and the freedom of action of its members, we can hardly do better than reproduce the complete Articles of Agreement drawn up and adopted by our friend Mr. Monarch's Association. The reproduction is offered herewith. Its simplicity is worth noting.

Investment Associations Not Fool-Proof

One more word remains to be said on the subject of the Investment Association idea before bringing this sketch to a close. That is: *They are not fool-proof.*

It is more or less obvious that, if investment commitments are to be selected by a single individual, or a group of individuals acting as a committee, a thoroughgoing knowledge of the science of investing money will be an absolute essential.

The mere fact that funds are invested jointly rather than individually, is no guarantee against loss.

If those who may be impelled to organize such an Association by what they have read here will bear this warning word in mind, much disappointment may be avoided.

The soundness of the Investment Association idea, however, seems established beyond question. It meets the requirements of the old adages:

Two heads are better than one—

Don't put all your eggs in one basket—

Many a mickle makes a muckle—

—and, if its *meaning* rather than its *associations* be considered:

In union there is strength.

Articles of Agreement

of the Unnamed Investment Association

We, the undersigned, do mutually agree to organize the Unnamed Investment Association, for the purchase of shares of stock of reputable companies listed on the New York Stock Exchange, under the following conditions:

1. **The assets** of the Association will be represented by ten (10) share certificates;
2. **The holder** of each share certificate agrees to pay to the Association the sum of $3.75 on the first and fifteenth day of each calendar month;
3. **The money** so collected shall be invested in the purchase of stocks on the part-payment plan;
4. **The shareholders** shall select one of their number as Manager; his duties shall consist of collecting the sums due semi-monthly from the shareholders, of depositing this money in bank in a special account which he shall open as Trustee, of investing this money in stocks when sufficient has accumulated, of selling the stock so purchased, and of distributing dividends and moneys realized from sales of stock among the shareholders. Insofar as the shareholders can agree among themselves as to the course of action to be followed in buying or selling stocks, it is expected that the Manager will follow the wishes of the shareholders, but the Manager is authorized to make decisions when the shareholders are in disagreement, or to take action upon his own initiative when conditions warrant or demand. If, at any time, the shareholders shall so decide, dividends collected by the Manager, or money realized from the sale of stock, may be added to the moneys in bank to be applied to the purchase of new stock, instead of being distributed by the Manager among the shareholders.
5. **If at any time** the holder of any shares certificate wishes to withdraw from the Association, he shall surrender his certificate or certificates to the Manager, who is authorized to pay such shareholder the then market value of his share in the stocks purchased by the Association, plus his proportionate share of the market value of any stocks under contract but whose purchase has not been completed, plus his proportionate share of moneys on deposit in bank, from the sum of which a penalty of two per centum (2%) shall be deducted. If the funds available to make this payment are insufficient to permit the Manager to pay the shareholder in cash, the Manager is authorized to make, and the shareholder agrees to accept, a promissory note for the value of the certificate or certificates surrendered. This promissory note shall not bear interest and shall cover the period necessary for the accumulation of the money to pay it, without, however, defaulting on any payments due on outstanding contracts. The surrendering shareholder shall not participate in any profits or dividends accumulating after the date on which he surrenders his certificates. Such surrendered certificates shall be either resold or cancelled, as agreed upon by the remaining shareholders.
6. **If semi-monthly payment** on any certificate is in arrears, the shareholders of remaining certificates shall have the right to cancel such certificate, upon the same terms and conditions as provided in paragraph 5 for the settlement of certificates of a withdrawing shareholder.
7. **In case of disagreement** upon any question not involving the actual buying or selling of stock (in which case the Manager has been authorized above to make decision), decision shall be determined upon a majority vote of the shareholders, each individual being entitled to one vote, irrespective of the number of certificates he holds.

(The foregoing represents the Articles of Agreement, in full, as drawn up and adopted by the Investment Association described by Mr. Monarch in the June 9th issue of The Magazine of Wall Street.*)*

The first of a new series of instructive articles:

Just What Is An Ordinary Life Insurance Policy?

By Florence Provost Clarendon

The Insurance Department, broadening in character of service rendered with every issue of The Magazine, *introduces a new series of educational articles beginning with this issue whose purpose it is to clarify the benefits and special characteristics of the various basic forms of Life Insurance. The facilities of the Department continue to be available to readers for the purpose of answering inquiries on Life Insurance problems and supplying all such special information as comes within its scope.*

LIFE insurance reduced to its basic principle consists in the combination of a large number of people to protect one another against loss to dependents by death. It has been defined as "the transfer of risks of many individuals to one person or a group of persons." But while the foundation of Life Insurance was laid through the need of family protection against the untimely death of the breadwinner, another strong argument in its favor is that the modern life insurance policy offers one of the best and most conservative methods of saving money.

A man's resolutions to save may be so strong that he could contract to pave the legendary Highways of Hades with his theoretic thrift, but permit him in a weak moment to be assailed by the temptation of some desired luxury, or by a plausible friend's "sure tip" on the market, and the savings of years may be dissipated in a day.

Life insurance helps to resist the temptation to spend money. Once a man lays the foundation of his estate by means of life insurance he has marked a milestone of pre-eminent importance in his career, because he has then provided that in event of his premature death his obligations will be met. Thus, a young man of ability with a future before him but no capital behind him may undertake obligations which he would not otherwise be justified in assuming, for he has provided against the emergency of his untimely decease.

The premiums on a life insurance policy are payable at regular intervals, and the necessity for meeting them promptly acts as a stimulation in saving, while it aids in inculcating the cardinal virtue of systematic thrift.

The principal forms of life insurance policies may be generally classified as follows:

1—Ordinary Life;
2—Limited Payment Life;
3—Endowment; and
4—Term.

A closely affiliated form of insurance known as an "Annuity" may be classed with the sub-divisions above outlined.

Sometimes Known as "Whole Life"

The Ordinary Life and Limited Payment Life policies are sometimes referred to as *"Whole Life"* policies, *because the sum insured is payable only at death.* Such policies are primarily of a protective nature, and are usually taken with the thought of providing maintenance for dependents in event of the insured's death, or providing for other obligations.

The premiums for life insurance policies may usually be paid either annually, semi-annually, or quarterly, while the proceeds of the policy when a claim is made may be paid to the beneficiary in one sum, in instalments over a stated period of years, or as an income during the life of the beneficiary.

THE ORDINARY LIFE POLICY provides for the payment of premiums *throughout the life of the insured.* This form of insurance gives protection at a very moderate cost and enables a man on a limited income to obtain family protection while young at a low rate. It gives the largest amount of permanent protection for the smallest annual cost. For example, a young man age 28 can obtain an Ordinary Life policy for $10,000 in a non-participating company for an annual premium of approximately $168—less than 1¾% per annum of the capital sum. The same amount of protection if taken on the 20-Payment Life plan would cost him, at the same age, about $238 annually; while on the Endowment form the annual outlay would run up to $405. It must be remembered, however, that policies written on the higher priced forms offer increased benefits in the way of larger cash, loan, and surrender values, and if obtained through a participating company the dividend return is greater on the Limited Payment and Endowment plans than on the Ordinary Life.

The Ordinary Life Policy is the basic

A policy is issued to John Jones on the Ordinary Life plan for **$10,000** *when he is* 30 *years of age. The annual premium rate, non-participating, is* **$172.**

In consideration of this annual payment throughout John Jones' succeeding life, the company agrees to pay the sum of **$10,000** *to his beneficiary upon receiving satisfactory proofs of his death.*

form from which the various Limited Payment and Endowment plans have developed. It provides excellent family or business protection at a very small outlay. To the young married man with family responsibilities and small salary, the middle-aged man of limited income, the professional man who seeks the greatest coverage at the least expense, and firm members requiring partnership insurance for the benefit of the business, the Ordinary Life policy supplies logical protection.

The Principal Provisions

The principal factors in the Ordinary Life policy may be stated in simple terms by means of the following illustration:

A policy is issued to John Jones on the Ordinary Life plan for $10,000 when he is 30 years of age. The annual premium rate, non-participating, is $172.

In consideration of this annual payment *throughout the succeeding life of John Jones,* the company agrees to pay the sum of $10,000 to his beneficiary upon receiving satisfactory proofs of his death.

This is a brief statement of the primary benefit obtained under the Ordinary Life plan, and the reciprocal obligations of insured and company. There are, however, many additional benefits granted to the insured.

The privileges usually inserted in policy forms of the principal life insurance companies operating on a legal reserve basis in this country are as follows:

(1) *An allowance of one month's time after the stated due date is generally permitted for the payment of premiums.* The insurance protection is continued during these days of grace, and no interest is charged for delayed payment of premium within this period.

(2) *An important and valuable privilege is the Surrender Value under the policy which is payable to the insured if he surrenders his policy.* This value may be taken in one of several ways:

a. In cash;
b. In the form of a reduced sum of insurance on which no further premiums need be paid;
c. As insurance for the full amount of the face value (in the case above outlined, $10,000) for a *temporary period, without further premium.*

***A table of the available values at the end of each policy year is usually included in the policies of the principal "Old Line" companies,* and thus a policyholder can easily ascertain the surrender value of his contract in any year by reference to his policy.**

(3) *Another interesting privilege in the modern policy contract lies in the manner in which the proceeds of the policy may be paid,* various optional modes of settlement being offered whereby the sum insured may either be paid to the beneficiary in a lump sum, or in instalments in the form of a monthly, quarterly or annual income. Such instalments may be paid over a stated period of years, as for 10, 15, or 20 years, or they may constitute an annuity payable throughout the lifetime of the beneficiary.

(4) *Still another privilege is that of changing the policy to another form than that originally chosen,* as for example, the changing of an Ordinary Life policy to one on the 20-Payment plan by a proper adjustment of premiums necessary under the conversion.

The Ordinary Life Policy provides maximum insurance of a permanent form at a minimum cost, and gives excellent protection and security to the insured. With the payment of the first premium it creates an estate at a very moderate annual outlay on the part of the insured.

(Insurance Department continued on page 484)

Points for Income Builders

Flain Definitions of a Few of the Terms Heard in the Shipping World

IN our last issue, a few of the terms more frequently heard by investors interested in the steel trade were briefly defined.

Another industry having a considerable vernacular of its own is the shipping industry, and some of its terms are defined in what follows:

Tons D.W.

D.W. Tonnage, or "deadweight tonnage," is that portion of a vessel's carrying capacity used for certain definite requirements such as fuel, etc., which are essential to the movements of the ship itself. In other words, d.w. tonnage is the ship's tonnage capacity over and above that available for cargo purposes.

Displacement

"Displacement" or "Displacement Tonnage" is the tonnage weight of the vessel itself, representing the amount of the element in which it floats displaced by the weight of the ship.

Cargo Tonnage

Cargo tonnage, as its name implies, is the vessel's cargo-carrying capacity.

Passenger Movement

Those who have been following the fortunes of the great shipping lines which ply between American and foreign ports fully realize the importance of the "Passenger Movement" which is merely an arbitrary expression signifying the number of passengers of the various classes carried over the various routes. In the case of vessels plying between American and foreign ports, this movement has been seriously affected by our immigration laws; thus, it is to the point to note that the great International Mercantile Marine, one of the largest operatives of passenger ships in the ocean service, is carrying third-class passengers at the rate of only about 300,000 a year today as against a rate of about 1,250,000 a year which prevailed before the war.

Tons Registry

The registered tonnage of a vessel represents its carrying capacity as recorded at what is undoubtedly one of the most unique organizations in the world at this time, known as—

Lloyd's

It is not easy to describe the Lloyd's organization. Primarily, its chief function is to compile and tabulate, for the benefit of shippers and ship operators of all kinds and classes the vast quantity of statistical and other information which is essential to shipping ventures. To such a degree has the Lloyd's organization developed its information service it has been said—no doubt with all accuracy—that the exact whereabouts and complete description of any vessel at any time can be instantly determined through the Lloyd's offices.

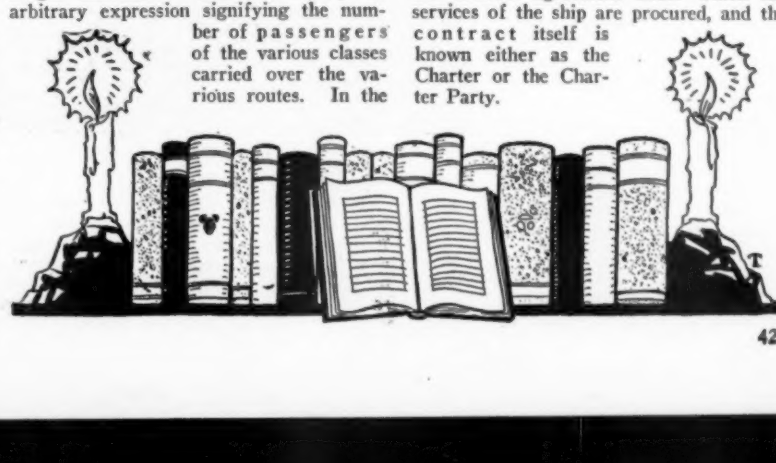
Lloyd's is equally famous, perhaps more so, for its insurance activities which have been developed to a degree where the company is willing to "insure" clients against almost any imaginable contingency.

The investor encounters reference to Lloyd's most frequently in connection with shipping statistics of various kinds which this organization compiles and issues regularly just as the Dunn and Bradstreet agencies compile and issue financial information in this country.

So successful has Lloyd's been in its innumerable activities—and so scrupulous—its signature is recognized and honored all over the world.

Charter Party

Every vessel that sails has a certain cargo to carry to a certain destination, or a certain cargo to obtain, and undertakes to accomplish its purpose in accordance with stipulations agreed on between the shipper and carrier prior to the vessel's leaving port. The specifications compose the contract agreement under which the services of the ship are procured, and the contract itself is known either as the Charter or the Charter Party.



Special, Enlarged
Public Utilities
Section

The Modern Trend in Regulation of Public Utilities

How the Present Attitude Has Developed—Why It Presages a Long Period of Reasonable Co-operation Between the Industry and the Public It Serves

By ROBERT A. SIMMONS

BAITING the public utility companies, while still a popular pastime, promises to lose its effectiveness. Indeed, as reflected in the newer attitude of Public Utility Commissions, and, even more important still, in the recent decision of the United States Supreme Court, described in this article, it is becoming more and more evident that the public utility companies have passed the time where they need fear drastic political action on the part of interested politicians. It is recognized now more than ever that the public utility company plays an integral part in community life, and that if it is to continue to give adequate service, it must have returns commensurate with the worth of the services it renders. It is now especially clear that the newer state of things is having and will continue to have an encouraging effect on the destinies of public utility properties, a prospect in which the investor is naturally interested.

WHEN the United States Supreme Court, on May 21, declared that reproduction costs would have to be considered in fixing the valuation of public utilities by rate-making commissions, it laid another stone on the bulwark which has steadily been built up during the last thirty years to protect the utilities against the attacks of hostile political bodies. From the time when the courts used to stand aside, declaring that they could do nothing about the matter, to the present, when they actively overthrow rulings of State commissions, there has been a steady progression, each decision paving the way for the next.

The full bearing of the latest of these cannot be realized without the background of how the courts came to assume such powers, and how they are likely to utilize them in the future.

This increasingly aggressive attitude of the courts in favor of the utilities has anticipated by several years a similar turn in public sentiment. Time was when the whole fare and bill-paying public would rise in arms against any suggestion of rate increases; now, to say the least, they arouse little resentment, and in some quarters there is even a disposition to view the whole matter dispassionately from the standpoint of the best permanent interests of the community.

Even before this, however, the courts had expressed the newer attitude in a series of decisions which we shall rapidly review as the background of a forecast of what the future of the utilities is to be, so far as their legal status is concerned.

The basis of these decisions is that part of section 1 of the Fourteenth Amendment which says: ". . . nor shall any State deprive any person of life, liberty or property without due process of law." Among the things that this statement left for the courts to determine, were, what is a person? what is deprivation of property? what sort of things may be included as property? and above all, what is due process of law?

As we look back on this development, we see that it has been in the direction of more and more "liberal" interpretation, broadening the meaning of each of these terms, making more and more allowance for the rights of corporations as legal "persons," and breaking down the strict and formal interpretation of the law on which the commissions relied in their efforts to hold down the utilities.

We must remember the historical conditions under which the Amendment was passed. The Civil War was just over, the South had not yet been "reconstructed" or readmitted to the full rights of sovereign States; the passions aroused by the war, the assassination of President Lincoln, the misrule of newly-freed negroes and of Northern "carpet-baggers," all operated on the minds of the Reconstruction Committee of Congress which framed the Amendment, which was in the hands of the negrophile "radical" element of the Republican party.

At least one of the purposes of the framers of the Amendment, therefore, was the protection of the Southern negro in his newly acquired rights. Whether, as Roscoe Conkling later argued in 1869, they also intended to get rid of certain old abuses in corporation law, is another question.

The Supreme Court itself did not believe so, at first. In the New Orleans Slaughter-House cases of 1873, in the Granger cases of 1876, and as late as the Ruggles case of 1883, the highest court of the country maintained that the Fourteenth Amendment must be strictly construed, that under it corporations had no

CHIEF JUSTICE TAFT

Of the Supreme Court of the United States. In a recent session of the Court a decision was rendered, read by Judge McReynolds, declaring in effect that reproduction costs would have to be considered in fixing the valuation of public utilities by rate-making commissions. This decision is generally considered an important step toward strengthening the position of our Service Corporations, and reflects the more reasonable attitude taken toward such corporations by the average citizen of today.

redress against official bodies, and that a judicial review of the actions of an administrative body was not legal.

But already great forces were operating to break down the rigidity of legal precedent. With each step in the technical improvement of the utilities, and their rapid expanhion as the country grew, as step by step the West was conquered and new homes found for the hundreds of thousands of immigrants who came in each year, the utilities involved increasingly large amounts of capital.

Big business was the focus of growth of the United States, and the attitude of neglect which left it to deal alone with local commissions and politicians, an attitude which might have been justifiable in the days when business was small and unorganized, was no longer possible. The contact of legal authority and expanding business came through the great corporation lawyers, like Conkling, Hanna, Pratt, and in more modern times Gary, Root, Hughes, and others. In their early practice they acquired an intimate knowledge of the legal needs of modern business, which served them in their later careers as senators, judges, and officials, to voice the demands of the most enterprising and articulate and fastest-growing of the economic interests of the country.

By 1889, when the Chicago, Milwaukee & St. Paul Railway Co. challenged rates set by the Minnesota commission, Justice Blatchford was able to announce that it was up to the courts to determine what is "reasonable rate." So far, however, this meant merely that the courts had a right to intervene when it felt that certain rates were confiscatory. In 1894, in the case of Reagan vs. Farmers Loan & Trust Co., this principle was extended to mean that the courts could review all rates, and could therefore see to it that the utilities had not merely a starvation wage, but a living wage.

A Classic Case

In 1898 came the classic case of Smyth vs. Ames, in which for the first time the basic principle was laid down that the utilities were entitled to a "fair return on a fair valuation," by Justice Harlan, who had dissented from the majority opinion as to the helplessness of the courts as far back as the New Orleans and the Ruggles cases.

Still there was no official judicial statement of what the "fair return" should be. In the Milwaukee Electric Railway case of the same year it was held that the road was entitled to a 5% return. Eleven years later, in a case brought by the Consolidated Gas Co. of New York, the "fair return" was fixed at 5%, and in the Shephard case involving Minnesota railway rates the court held that 7% constituted a "fair return." Since then in various decisions 7 to 8% is held to be "fair."

The other half of the question raised by the Smyth vs. Ames decision, "what is a

(*Please turn to page 464*)

★ How Much Has Utility Cost Situation Improved?

By RICHARD H. SMYTHE

A GOOD part of the current lack of confidence in the future of the public utilities is directly traceable to the unfortunate experiences of some utility investors during the great boom of 1919-1920. At that time all the important factors in the cost of operation of public utilities: wages, materials, interest rates representing the cost of credit, all rose at the same time, while the rates fixed by commissions representing the companies' income were raised only with difficulty and after long delays, in many cases after the mischief was done and the companies in bankruptcy.

Since it has been generally recognized that business prosperity has returned since early 1922, many investors have feared that the "boom," in the course of its development, would present features as unfavorable to the utilities as the last boom did. It now appears that this view was mistaken in assuming that all booms work the same way, and have similar effects.

The present boom, from the standpoint of the public utility operator, has been distinguished from the preceding one by its slow development, compared with the rapid uprush of 1919; by the failure of money rates to move upward as sharply as prices and volume of trade; by the irregularity of the development, so that certain kinds of wages moved up while others actually went down, prices of certain commodities rose sharply while others fell steeply, whereas in 1919, prices moved upward pretty uniformly, with but few exceptions, and by the fact that utility rates, having once been put on a higher level, showed the same resistance to reductions as they had formerly done to advances.

In general, then, we can say that the present boom has by no means been so harmful to the public utilities, as a group, as the last one, and, judging by the outlook for the different factors, taken one by one, is not likely to do them much harm in the future.

The Coal Factor

This is especially true of coal, which is a basic commodity for all the public utilities, and whose price is of the utmost importance in considering the probable trend of their operating costs. The gas industry uses coal, in conjunction with gas oil, as a source of gas; the steam-electrical companies obtain the power which they use to generate electricity by burning coal; and the traction companies either generate their own electricity by burning coal, or by power from electric companies which burn coal and charge rates which depend on the price of the coal.

The coal situation at the present time is particularly favorable to the utility companies. Partly as a result of the tight coal situation of last winter, which in turn was caused by the coal and railroad strikes and the transportation difficulties resulting therefrom, an abnormally large number of producers entered the field, in the anxiety to reap the unusual profits which were then possible. Now the demand has died down, except for a temporary little export flurry which was directly traceable to the emergency situation created in some parts of Europe by the Ruhr invasion. The producing companies are still mining coal, however, there is a chronic over-production in the major coal fields, and the majority of the coal companies are not able to make any profits at prevailing prices for bituminous.

"What is one man's meat is another man's poison," however, and vice versa; the utility companies are now able to operate on the basis of cheaper coal than they have had in a long time, and this part of their costs is correspondingly low.

Labor Costs

Another factor which affects all the utilities, though in varying proportions, is the tendency toward higher wages on the part of labor. A large part of the labor required is either unskilled or semi-skilled, hence its wages are regulated, for practical purposes, by what the manufacturing industries situated near the utilities are willing to pay for common labor, whose wages fluctuate more than those of other kinds of labor.

This is especially true of present-day conditions, where the shortage of labor has initiated a sort of competition for labor among employers, which finds its expression in the bidding-up of wages. The utilities enjoy a certain advantage in this kind of competition because of the greater stability of the jobs which they have to offer, but they too have been dragged along into the current of increasing wages, **and their labor costs are showing a pronounced trend upward.** This does not mean as much for some lines of business as for others, depending on the proportion of wages to total costs; for the tractions, for instance, such a development is more significant than for

The present boom has by no means been so harmful to the public utilities, as a group, as the last one, and, judging by the outlook for the different factors, taken one by one, is not likely to do them much harm in the future.

hydro-electric companies at the other end of the scale.

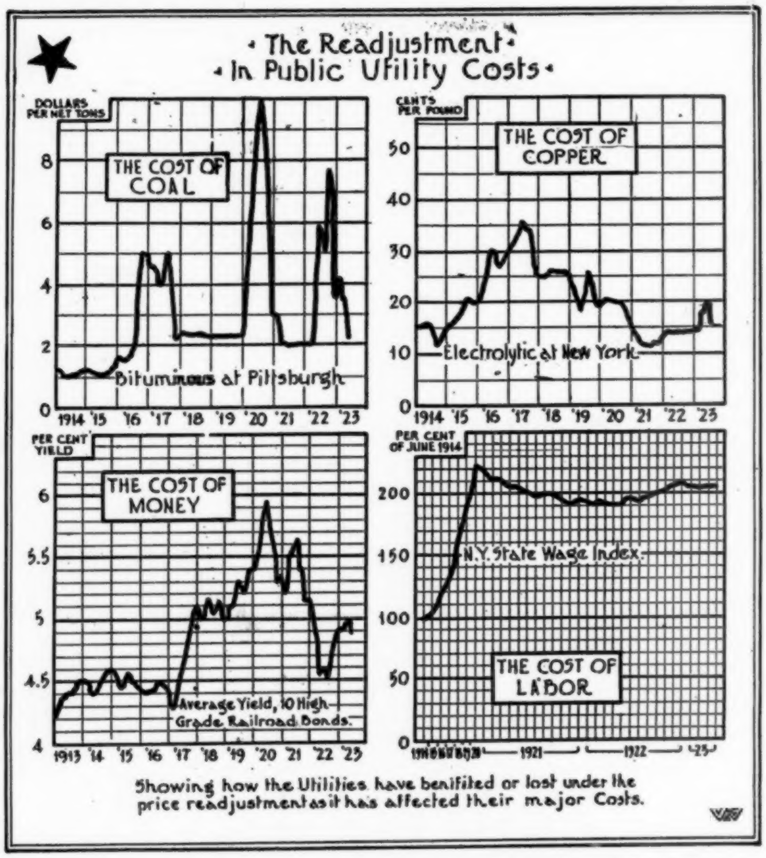
With the foregoing facts as the background of the entire public utilities situation, we can now consider the outlook for operating costs by splitting up the field into the main classifications of public utilities: gas companies, electrical companies (distinguishing between steam and hydro-electric companies), and traction companies. Each of these has, roughly speaking, the same kind of costs in different proportions to face: labor, materials, and financing cost.

The Traction Outlook

The major elements in traction costs are labor and overhead; only secondarily does the cost of new financing come in. In most cases, because of poor earnings in the recent past, the credit of many of the traction companies has been so badly shaken that money costs them more than the average public utility enterprise.

Labor costs are an unfavorable factor, because of the necessity imposed on the utility companies of meeting the high factory wages paid by manufacturers in the cities in which they operate. Wage increases are slow in this field, however, and so far the unfavorable effect of the labor-cost factor has been more in its prospective results than in its actual ones.

As to the other large elements in cost, materials, indications favor the operators. Copper, rubber, and coal are down sharply from the high points of last April, and in the last two there has been no sign of an upward trend as yet. Copper has been acting stronger marketwise of late, but it is not expected that prices will be permitted to rise much above present levels. Such a step would merely encourage the entrance into production of a number of small and inefficient producers, while it would not stimulate the production of the larger companies, which are perfectly satisfied with their profits under present price conditions.



New financing is not a great consideration with the tractions, because of the tendency in recent years for trolley companies to make their necessary extensions by the installation of gasoline busses, or gasoline trolley-cars, which do not require tracks and which can be financed largely on a purchase-money basis. The other types of traction, the subway and the elevated, are limited to the larger cities by the high cost of construction, which requires a heavy traffic to dilute the overhead costs down to manageable dimensions per unit of receipts. Further extension of these systems is a matter of the credit and earning power of the individual systems, which varies widely from city to city and which are not numerous enough to constitute a general class.

Hydro-Electric Companies

In this line of enterprise, a sharp distinction has to be drawn between operating costs and total costs. As far as actual costs of operation are concerned, labor is the biggest item, material costs being insignificant. Total operating costs, however, are only a small part of the total costs, which consist for the most part of maintenance and overhead, particularly in the form of financing costs.

Maintenance costs are concerned, of course, largely with the cost of the materials used in construction, and with copper, rubber, cotton, and the like, used for electrical work. The same situation applies here as to the traction companies which, in effect, are nothing but a highly specialized type of large electrical apparatus.

The chief factor in financing costs, which collectively represent an anticipation of overhead, is the cost of construction. This is undoubtedly abnormally high at the present time, and has had the natural effect of checking expansion and consequently the flow of new money into the business. The point is not so much the rate that has to be paid on new capital, which is considered moderate enough to be attractive, in and of itself, but the large amount of new capital per unit of power to be obtained, with its consequent necessity for the establishment of abnormally high depreciation charges.

Steam Electric Prospects

The electric companies which generate their power by burning coal under boilers will, of course, benefit greatly by the present coal situation. In contradistinction to the previous group, this type of company has relatively larger operating costs, and because of its smaller investment in dams, water developments, turbines, etc., smaller maintenance and overhead costs.

This shows up particularly in their relative financing costs. New steam electric construction has been held up recently because of high costs, but in normal times new plants can be put up almost wherever there is a need for them. Where the volume of power needed is below a certain point, they are more efficient than hydro-electric plants, because they have not the high overhead which needs to be diluted over a large amount of traffic. In the case of larger consumers, however, or in heavily industrialized districts, operating costs mount rapidly as new units of power are supplied.

In addition, with the improved methods of transmitting power over long distances, which are being or have been worked out, the smaller steam electric companies face the possibility of severe competition from the new immense super-power units, if the latter do not find it economical to incorporate them as part of their gigantic transmission nets.

In general, then, we can say that the steam electric power companies are being relegated to a particular sphere, that of relatively small demand with no unusual peak-load variations, and in this sphere, though the possibilities

(*Please turn to page 469*)

An Analysis of

★Five Edison Companies

Their Position, Relatively and Individually—Which One Offers Greatest Opportunities to the Investor?

By R. M. MASTERSON

THE industry of supplying electricity for light, heat and power stands on an unusually firm foundation. Its absolutely essential character surrounds it with a degree of stability which is not readily disturbed, and even during periods of severe depression in general business, little falling off is reflected in sales of electricity. The natural growth and development of the country assures a steady increase in volume of business from year to year. Favorable decisions which have been handed down by the Supreme Court of the United States in the matter of rates practically guarantee the maintenance of earnings on a satisfatcory basis. For these reasons the securities of certain so-called "Edison" companies present a particularly attractive medium for sound investment.

Remarkable Growth

The industry itself is sound; and its growth, especially over the last ten years, has been remarkable. Today it would be most difficult to find, within the limits of the United States, a community of even so few as five hundred people which is not supplied with electricity. As a consequence, there are a great many different companies engaged in this field, and the investor has a long list of bonds and stocks from which to choose. Most of the high-grade electric light bonds, that is those issues which may be termed "thoroughly seasoned," sell on a basis to give only a moderate return. There are certain electric companies, however, so well established and so favorably situated, that their common stocks may be regarded in the light of investments. These stocks offer a splendid return and ample possibilities for profit or added remuneration through "Rights" to participate in new financing, which are certain to be offered to stockholders as the companies continue their expansion.

Strong Companies

From among the numerous Edison companies, five have been selected for analysis in this article. Each operates in a leading city or community and each is paying dividends on its common stock at the rate of 8% per annum. Based on present prices the yields on the common stocks of these companies run from 6.27% in the case of Commonwealth Edison of Chicago, to 8% on Detroit Edison. The accompanying table is designed to set forth the statistical data pertaining to each company in a manner which will permit a ready comparison.

In point of size, measured by the figures for Total Capitalization, Southern California Edison takes the lead, having outstanding nearly twice the amount of bonds and stocks as Brooklyn Edison, the smallest of the five. Three of the companies, Brooklyn Edison, Detroit Edison and Southern California Edison, have more than doubled their capital within the five and one-half years from the end of 1917 to date. The greatest growth in capital account took place in Brooklyn Edison, amounting to 142%, but in spite of this rapid rate of increase, Brooklyn Edison is still smallest of the five and the outlook for further expansion of this company is at least as favorable, if not more so, than any of the others.

The territory served by the Brooklyn Edison Company includes the entire Borough of Brooklyn, City of New York, with the exception of one Ward, the 29th, served by a small independent company. Brooklyn, with its population of over 2,150,000, is the third largest community in the United States and is exceeded only by the Borough of Manhattan and the city of Chicago. It is large in area, and the development of many new residential districts has been made possible by the opening of new and greatly increased transit facilities to Manhattan.

Other Favorable Situations

The Commonwealth Edison Company does practically the entire central-station electric light and power business of Chicago, and, in addition, supplies all the surface and elevated railway systems of the city. A rather interesting comparison may be made here between the Commonwealth Edison and Brooklyn Edison. The population of Chicago is about 2,800,000, or only about 650,000 in excess of Brooklyn, yet the Chicago company is reported to have about 625,000 customers on its books, as against 250,000 for Brooklyn Edison. These figures clearly indicate the possibilities for the future growth of the Brooklyn company.

The Consolidated Gas, Electric Light & Power Company distributes both gas and electricity in the City of Baltimore and vicinity, extending into Baltimore County, Anne Arundel County and Howard County. This company has a preferred stock outstanding, issued in two series, "A" 8% and "B" 7%, both of which are preferred

The name of Edison stands not so much for the man as for an array of scientific principles developed by him whose practical value to the nation is attested by the investment, thus far, of many billions of dollars in Edison ideas, and the use, all over the world, of an amazing diversity of Edison-conceived apparatus

equally as to assets and as to their respective dividends. The "A" stock is redeemable at 125 and the "B" at 110. The total authorized amount of preferred is $25,000,000, of which only $6,998,200 has been issued. Earnings for 1922, available for preferred dividends, amounted to over 63% of requirements, indicating a very large margin of safety. The 8% issue may be purchased at about 116½, yielding 6.86% and the 7% stock at about 104, yielding 6.73.

Detroit Edison, in addition to the city of Detroit, supplies a large outlying territory. Its total franchise area is reported at 3,527 square miles and is said to include 13 cities, 50 incorporated villages and 106 townships. The company has rather a heavy proportion of funded debt to capital stock, but as about $20,000,000 of the outstanding bonds are convertible

Hopes for a continued upswing in utility affairs are predicated upon the growing willingness of both the utilities and the public to see each other's point of view.

"The industry of supplying electricity for light, heat and power stands on an unusually firm foundation. Its absolutely essential character surrounds it with a degree of stability which is not readily disturbed, and even during periods of severe depression in general business little falling off is reflected in sales."

into capital stock a better balance may be expected at some future time. Nevertheless, the fact of this large amount of convertible issues being outstanding, has a tendency to hold down the price of the stock.

Southern California Edison

This company operates in ten counties in southern California and the San Joaquin Valley, with an area of 55,000 square miles, and supplies electricity to 312 cities and towns and intervening territory. Over 65% of the generating capacity of the system is comprised of Water Power Plants, which enable the company to supply current at a low rate and still show a substantial profit. This accounts for the fact, as brought out in the table, that although Southern California Edison shows the largest capitalization of the five companies compared, its gross revenues were the smallest. Last year the company sold the distributing system of Los Angeles to the city for the sum of about 12 million dollars, and at the same time a contract was signed under which the city agreed to purchase all of its requirements of electricity in excess of that generated at its own plants from the company. This sale to the City of Los Angeles has been generally considered as a

"The (electrical) industry itself is sound, and its growth, especially over the last ten years, has been remarkable. Today it would be most difficult to find, within the limits of the United States, a community of even so few as five hundred people which is not supplied with electricity."

stroke of excellent judgment on the part of the company as it did not sacrifice a particularly profitable section of its territory, yet it has ingratiated itself with the political authorities.

Southern California has outstanding $4,000,000 "Original" preferred and $5,456,900 "Preferred" (in reality 2nd pre-

(*Please turn to page* 474)

FIVE LEADING EDISON COMPANIES

	Brooklyn Edison Co. (Brooklyn, N. Y.)	Commonwealth Edison Co. (Chicago, Ills.)	Consolidated Gas, El. Lt. & Pr. Co. of Baltimore. (Baltimore and Vicinity)	Detroit Edison Co. (Detroit and Vicinity)	Southern Calif. Edison Co. (Los Angeles and Vicinity)
Capitalization (including increases to June 22, 1923):					
Funded debt	$31,772,800	$59,774,000	$58,131,000	$69,062,900	$90,201,900
Preferred stock	....	....	6,998,200	....	9,456,900
Common stock	43,383,000	60,000,000	17,532,200	42,715,521	48,959,800
Total	$75,155,800	$119,774,000	$82,661,400	$111,778,421	$148,618,600
Capitalization December 31, 1917:					
Funded debt	$13,794,500	$42,631,000	$27,859,423	$23,224,960	$43,231,500
Preferred stock	....	....	4,103,754	....	16,029,900
Common stock	17,156,500	50,422,826	14,385,734	25,691,600	14,064,572
Total	$30,951,000	$93,053,826	$46,348,911	$48,916,500	$73,325,972
Increase since December 31, 1917	$44,204,800	$26,720,174	$36,312,489	$62,861,921	$75,292,628
Percentage of increase	142%	28%	78%	128%	103%
Total property account:					
December 31, 1922	$66,438,213	$130,005,164	$79,529,361	$95,316,391	$132,029,165
December 31, 1917	36,481,909	95,791,732	48,532,623	50,386,643	73,706,827
Five-year increase	$29,956,304	$34,213,432	$30,996,738	$44,929,748	$58,322,338
Percentage of increase	82%	35%	63%	88%	79%
Net tangible assets available for common stock (adjusted from Dec. 31, 1922, balance sheet)	$49,990,670	$68,879,342	$19,557,301	$40,659,642	$36,238,897
Equivalent per share outstanding	115	114	111	91	74
Gross revenues:					
Year 1922	$19,129,690	$43,107,956	$19,920,955	$26,408,159	$16,982,226
Year 1917	8,304,412	25,351,585	8,458,613	12,279,926	6,885,149
Five-year increase	$10,825,278	$17,756,371	$11,462,342	$14,128,233	$10,097,077
Percentage of increase	126%	70%	135%	115%	146%
Earnings:					
Fixed charges times earned 1922	3.20	3.06	1.88	2.02	2.18
Fixed charges times earned 1921	2.60	2.89	1.48	1.83	1.87
Fixed charges times earned 1920	2.41	2.87	1.39	1.84	1.97
Fixed charges times earned 1919	3.37	3.11	1.50	2.44	1.64
Fixed charges times earned 1918	3.51	3.32	1.50	2.72	1.66
Available for common stock (per share) 1922	$18.19	$10.91	$25.62	$11.12	$9.84
(Based on average amount of stock 1921	15.96	9.97	13.10	10.21	10.49
outstanding each year.) 1920	9.58	9.52	9.63	7.52	10.80
1919	13.10	9.84	10.96	9.67	7.17
1918	10.44	9.79	9.78	9.08	7.43
Five-year average	13.45	10.00	13.82	9.52	9.15
Ten-year dividend record—common stock:					
Present rate	$8.00	$8.00	$8.00	$8.00	$8.00
Paid in 1922	8.00	8.00	8.00	8.00	8.00
Paid in 1921	8.00	8.00	8.00	8.00	8.00
Paid in 1920	8.00	8.00	8.00	8.00	7.00
Paid in 1919	8.00	8.00	8.00	8.00	7.00
Paid in 1918	8.00	8.00	8.00	8.00	7.00
Paid in 1917	8.00	8.00	7¾	8.00	7.00
Paid in 1916	8.00	8.00	7.00	8.00	6¼
Paid in 1915	8.00	8.00	7.00	7.00	6.00
Paid in 1914	8.00	8.00	6¼	7.00	6.00
Paid in 1913	8.00	7¼	5¾	7.00	5.00
Location of Market:	New York Stock Exch.	Chic. Stock Ex. and Over Counter	Balt. Stock Ex. and Over Counter	New York Stock Exch.	Los. Ang. Stk. Ex. and Over Counter
Price range 1918-1922—High	124⅝	140	120	120	108¾
Price range 1918-1922—Low	82	100	80	91	73
Present price	106	127½	114	100	103
Yield on present price	7.54%	6.27%	7.01%	8.00%	7.76%

★What the Utility World Offers the Investor of Today

A Review of the Current Market—Position of Leading Utility Securities

By JAMES N. PAUL

STANDARD PUBLIC UTILITY PREFERRED STOCKS

	Price	Dividend	Return (%)	No. times earned past five years
American Gas & Electric	*41	3	7.3	3.5
American Light & Traction	90	6	6.7	4.4
American Power & Light	81	6	7.4	3.5
American Water Wks. & Elec. 1st.	89	7	7.8	x2.5
Middle West Utilities prior pfd.	96	y7	7.3	z3.0
Niagara Falls Power Company	108	7	6.5	2.5
North American Company	*43	3	7.0	5.5
Pacific Gas & Electric 1st	88	6	6.8	2.0
Philadelphia Company	*42	3	7.1	5.0
Public Service of Northern Illinois	91	6	6.6	3.0
Public Service of New Jersey	102	8	7.8	2.0

* Par $50. x Average last four years. y Also additional dividend $1 per share if common pays over $5 per year. z Average times earned for last two years.

OF the three classifications of corporations, railroads, industrials and public utilities, securities of the latter seem to be favored just now by investors if ability to finance expansion needs on an equitable basis and quotations in the bond markets can be taken as a criterion. Bonds of the utilities are fast regaining their prestige as a favored medium for employment of investment funds though, for the present, emissions of new offerings to finance much-needed expansion programs are having an adverse effect marketwise.

Just now we seem to be on the eve of another period of plentiful offerings of public utility bonds. Obviously, this will work out to the benefit of the investor, for if companies have to go into the open market and compete for funds, the investor will benefit from higher yields. To get an accurate picture of the situation, it should be borne in mind that, fostered by a rising bond market, a stream of new offerings began to come out about last November. The peak of bond prices was reached about that time and the number of companies coming into the market for funds up until two months ago was considerable. The decline of bond prices, which has been steady, discouraged new financing and for a time there was a lull. Signs are not wanting now that a resumption of large public utility bond offerings can be expected. The recent offering by Illinois Bell Telephone Co. of a $50,000,000 issue is indicative of the prospective situation.

Discussion of new issues likely to come on the market is important as having a direct bearing on the course of the market for public utility bonds, though good absorption is indicated on the part of investors. At the recent convention of the National Electric Light Association in New York, it was pointed out that three quarters of a billion dollars had been expended in 1922 for new construction of plants producing or transmitting electric energy. Plans for development of 17.7 million primary horse power had been filed at the beginning of this year and construction work on plants with estimated capacity of 2.5 million horse power was under way. While the figures in horse power may mean little to one not well posted on the situation, it can be stated that the utility companies are now embarking upon an expansion program undreamed of a few years ago. This will require the use of new millions for many years to come.

Is an Active Bond Market Likely?

Prices of all classes of bonds have been comparatively steady for the past two months following the precipitate decline from the November, 1922, highs. Average prices of public utility bonds show up better than either the rails or the industrials, though the difference is small. Quiet absorption of the better-grade issues is indicated, but it seems doubtful now that we can expect to run into a good bond market this year with rising prices. There seems nothing on the horizon at this time to indicate that the bond market is likely to be affected drastically either way except in the special instances of individual corporations.

Whether this country is headed for a

SOME ATTRACTIVE PUBLIC UTILITY BONDS*

	Apx. Price	Apx. Yield	% int. earned on entire funded debt
HIGH GRADE (For Income Only)			
Non-Callable Bonds:			
Western Union Telegraph Co. 6½s, 1936...(b)	109	5.60	8.40
New York Edison Co. 6½s, 1941...(b)	109	5.60	5.00
Callable Bonds:			
Duquesne Light Co. 6s, 1941...(b)	103	5.75	3.40
Philadelphia Company 6s, 1944...(c)	100	6.00	3.50
Short-Term Bonds:			
Bell Telephone Co. of Canada 5s, 1925...(c)	99	6.25	2.87
Columbia Gas & Electric Co. 1st 5s, 1927...(a)	96¾	6.00	4.15
MIDDLE GRADE (For Income and Profit)			
Amer. Works & Elect. Corp. Col. 5s, 1934...(c)	84¾	7.00	1.80
Dominion Pr. & Transmission 1st 5s, 1932...(a)	90	6.50	2.37
Denver Gas & Elec. 1st and Rfd. 5s, 1951...(a)	86	6.00	3.99
Havana Elec. Ry. Light & Power 5s, 1954...(a)	84¼	6.10	4.53
Northern States Power 5s, 1941...(b)	89¾	5.90	1.80
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942...(a)	90½	5.80	2.25
Public Service Corp. of N. J. 5s, 1959...(a)	84	6.10	1.78
Utah Power & Light 5s, 1944...(a)	89¼	5.90	1.80
United Fuel Gas 6s, 1936...(b)	95	6.60	7.10
SPECULATIVE (For Income and Profit)			
Chicago Railways 1st 5s, 1927...(a)	80	11.30	1.08
Hudson & Manhattan Rfd. 5s, 1957...(c)	80	6.45	1.80
Interboro Rapid Transit 5s, 1966...(a)	64	7.75	1.60
Third Avenue Railway Rfd. 4s, 1960...(b)	54½	7.75	1.20
Virginia Railway & Power 5s, 1934...(a)	84	7.10	1.90

(a) Lowest denom., $1,000. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50.

* This table taken from the Bond Buyers' Guide on page 411.

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

	Investment Grade	Asked Price	Yield
Adirondack Power & Light 1st & Ref. 5s, 1950	B..	99½	6.05
Adirondack Electric Power 1st 5s, 1962	A..	96	5.20
Alabama Power Co. 1st 5s, 1946	B..	91	5.70
Appalachian Power Co. 1st 5s, 1941	B..	88¾	6.05
Appalachian Power Co. 7s, 1936 (Non-Callable)	B..	101	6.90
Ashville Power & Light 5s, 1942	B..	94	5.50
Carolina Power & Light 1st 5s, 1938	B..	95	5.40
Central Maine Power 1st & Gen. Mtge. 7s, Ser. A, 1941	B..	103	5.65
Colorado Power Co. 1st 5s, 1953	B..	89	5.75
Consumers Power Co. (Mich.) 1st 5s, 1936	B..	95½	5.60
Electrical Development of Ontario 5s, 1933	B..	97½	5.30
Great Northern Power Co. 1st 5s, 1935	B..	..	..
Great Western Power Co. 5s, 1946	B..	92	5.60
Hydraulic Power 1st & Imp. 5s, 1951	A..	98	5.15
Indiana Power Co. 7½s, 1941	B..	102½	7.25
Idaho Power Co. 5s, 1947	B..	88½	5.90
Laurentide Power Co. 1st 5s, 1946	A..	94½	5.40
Madison River Power Co. 1st 5s, 1935	A..	99	5.10
Mississippi River Power 1st 5s, 1951	B..	92½	5.50
Nebraska Power Corp. 1st 6s, 1949	B..	101	5.90
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	103½	5.50
Penn.-Ohio Power & Light 8% Notes, 1930	B..	104	7.20
Puget Sound Power Co. 1st 5s, 1933	A..	97	5.35
Salmon River Power 1st 5s, 1952	B..	95½	5.30
Shawinigan Water & Power 1st 5s, 1934	A..	101	4.85
Southern Sierra Power Co. 1st 6s, 1936	A..	101	5.80
Wisconsin Edison Co. 6s, 1924	A..	100	5.00

GAS AND ELECTRIC COMPANIES

Bronx Gas & Electric 1st 5s, 1960	B..	90	5.65
Burlington Gas & Light 1st 5s, 1955	B..	81	6.40
Buffalo General Electric 1st 5s, 1939	A..	100	5.00
Cleveland Elec. Ill. Co. 5s, 1939	A..	99½	5.05
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	70	7.30
Dallas Power & Light 6s, 1949	B..	101	5.90
Denver Gas & Electric 1st 5s, 1949	A..	94	5.40
Evansville Gas & Electric 1st 5s, 1932	B..	95	5.80
Houston Light & Power 1st 5s, 1931	B..	95	5.75
Indianapolis Gas Co. 1st 5s, 1952	B..	87	5.90
Nevada-California Electric 1st 6s, 1946	B..	96	6.30
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	103	7.20
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	96	6.00
Portland Gas & Coke 1st 5s, 1940	B..	91	5.85
Rochester Gas & Electric 7s, Series B, 1946	B..	110	6.00
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	B..	93	5.65
Syracuse Gas Co. 1st 5s, 1946	A..	97	5.60
Tri-City Railway & Light 5s, 1930	B..	92	6.40
Twin State Gas & Electric Ref. 5s, 1953	B..	83	6.35
United Light & Railway 5s, 1932	B..	88½	6.75

TRACTION COMPANIES

Columbus Street Railway 1st 5s, 1932	B..	89	6.65
Detroit United Railway 1st Coll. 8s, 1941	B..	108	7.20
Galveston-Houston Electric Railway 1st 5s, 1954	B..	84	6.15
Kentucky Traction & Terminal 5s, 1951	C..	74	7.15
Knoxville Railway & Light 5s, 1946	C..	81	6.60
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B..	94	6.40
Memphis Street Railway 5s, 1945	C..	78	6.90
Northern Ohio Traction & Light 6s, 1926	B..	97	7.10
Nashville Railway & Light 5s, 1953	B..	93	5.45
Schenectady Railway Co. 1st 5s, 1946	C..	71	7.60
Topeka Railway & Light Ref. 5s, 1953	B..	88	6.00

HOLDING COMPANIES

American Lt. & Trac. 6s, 1925 (Without Warrants)	A..	101½	5.65
American Gas & Electric 6s, 2014	B..	94½	6.35
American Power & Light 6s, Series A, 2016	B..	93½	6.40
Federal Light & Traction 1st 5s, 1942	B..	83	6.60
General Gas & Electric s. f. 7s, 1952	B..	100	7.00
General Gas & Electric 1st 5s, 1925	B..	99	5.50
Middle West Utilities 8s, 1940	A..	105	7.40
Standard Gas & Electric 7½s, 1941	B..	104	7.10

TELEPHONE AND TELEGRAPH COMPANIES

Bell. Tel. Co. of Canada 1st 5s, 1925	A..	98½	5.85
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95	5.55
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	93¼	5.30
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	97½	5.32

period of slacking up of industrial activities is a moot question just now, though the consensus seems to be that we are not. Some industries are reporting a slowing down process which may be seasonal, but car loadings certainly do not indicate any falling off of shipments of merchandise. If business is going to continue at a high rate after a brief interval of dulness, the vast need of capital to carry on this business would certainly seem to preclude any chance of a large and rising bond market.

The direct bearing that this situation has on public utility bond prices is that many companies are coming into market now, some hurriedly, on the belief that they had better do their financing now rather than take a chance of better conditions next Fall. The peak of favorable conditions enabling public utility companies to do financing at low rates came during last January and February. One of the largest and best-managed companies was able to do its financing through the sale of a long term 5% issue which was sold close to par. No such thing could be accomplished at this time, and present and future financing by these companies will most likely run to 6% issues which can be sold between 90 and 95. While utility bonds are in demand, this is a convincing reason as to why no great upward movement in prices can be looked for within the next few months.

Conditions Favor Utilities

The earnings statements of utility companies speak for themselves, and, despite rising commodity costs the companies generally show increased earning power, compared with the same period of 1922. This situation has been touched upon too often recently to require any further comment.

The most important factor directly affecting these companies is the recent decision of the United States Supreme Court in the Southwestern Bell Telephone case wich ranks in importance with the ruling in the Consolidated Gas case handed down in March, 1922. Briefly, this decision held that rate-making bodies in establishing prices at which utilities must furnish service must take into account reproduction value of properties involved. The decision is basic and seems to indicate that companies all over the United States can appeal to the final Court when dissatisfied with rates. The advantage to utilities is obvious because reproduction costs of properties are probably highest on record and means that for rate-making purposes they must be marked up to meet these prices. This decision is covered more completely in the leading article of this section.

Several Attractive Issues

For the consideration of the investor with funds available for immediate investment in utility bonds, the following selections are suggested:

High Grade (Non-Callable)	Approximate Price	Yield
New York Edison 6½s, 1941	109	5.60%
Western Union Telegraph 6½s, 1936	109	5.60

STANDARD PUBLIC UTILITY COMMON STOCKS

	Price	Dividend	Yield (%)	Earnings per share 1922	Av. Earnings per share last five years
American Light & Traction..	120	*4% †4%	...	$7.30	$9.08
American Power & Light...	161	10.00	6.4	14.00	.....
American Tel. & Tel.......	122	7.60	7.4	11.14	10.79
Columbia Gas & Electric....	34	2.60	7.6	2.80	2.22
Consolidated Gas...........	59	5.00	8.5	7.30	2.65
Laclede Gas................	85	7.00	8.2	9.02	6.70
Montana Power............	62	4.00	6.4	3.71	4.22
North American Co.........	20	2.00	10.0	18.60	1.80
Pacific Gas & Electric.......	77	6.00	7.8	11.75	7.25
People's Gas..............	90	....	...	8.45	5.31
Philadelphia Co............	45	4.00	8.8	5.30	4.25
United Gas Improvement Co..	50	3.00	6.0	4.00	2.80

* Cash. † Stock.

Middle Grade
Denver Gas & Electric 1st 5s, 1951 .... 86 6.00%

Speculative
Virginia Railway & Power 5s, 1934 .... 84 7.10%

For high-grade issues of seasoned companies, the two first suggestions for **Western Union** and **New York Edison 6½s** can be recommended as being non-callable bonds of merit and giving a fair yield. On a straight yield basis, not taking into account the maturity date, a yield of 6% is shown on the investment. Western Union, earning total interest charges on its funded debt more than 8 times, should be classed as a prime investment while New York Edison is earning charges more than 5 times. New York Edison Co., controlled by a 99% stock ownership by Consolidated Gas Co. of New York, is not affected by the many recent squabbles and litigation over rates. There has been very little litigation over rates for electricity in New York city, and earnings have been consistent over a period of years.

For a fairly long term middle-grade investment in a light and power company, the 6% refunding 5s of 1951 of **Denver Gas & Electric Co.** are shown as yielding around 6%. The company is earning fixed charges about 4 times which is well above the average, a ratio of between 2 and 3 times being considered good.

Virginia Railway & Power Co. 5s of 1934, selling around 84, show a yield of better than 7%, assuming they are held to maturity and paid off at this price. Company is showing better earnings and the fixed charges are now being earned more than twice. For an investment, assuming that they will be held over a period of years, there might be considerable enhancement in value. Even as a fair 5% bond, it seems a trifle undervalued, selling below 85.

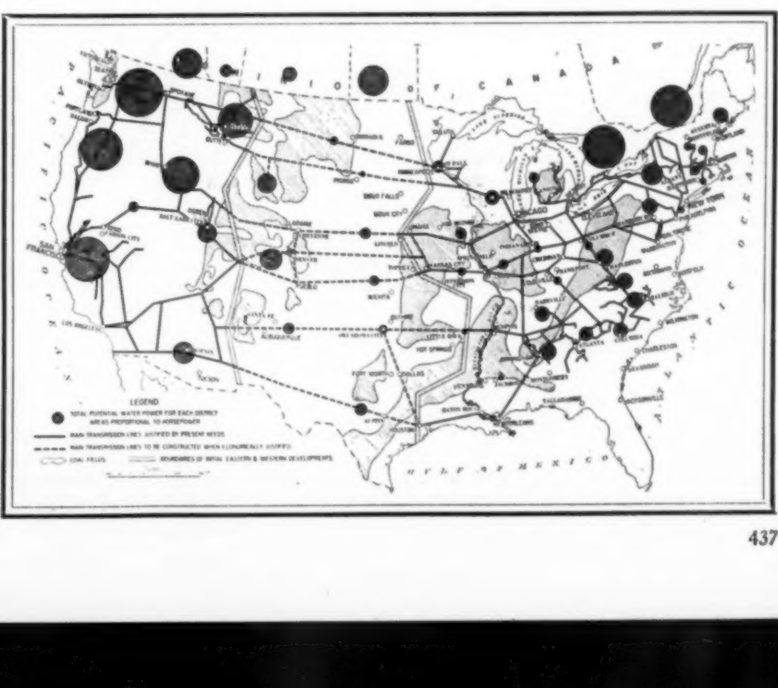
A rising market for public utility bonds is not indicated. However, discriminating purchases of gilt-edged issues for income is recommended, particularly at this time, as many of the bonds can now be obtained at attractive prices. Purchase on recessions of the speculative issues might be advisable on the expectation that indicated continuation of favorable conditions will be reflected gradually in higher prices in special cases where particular companies are forging ahead.

The question of the position of public utility issues cannot be dismissed without referring to the status of preferred and common stocks falling within this category. In both cases, there have been comparatively marked declines since the highest prices of last October and a number of good long-distance opportunities may be found. For the convenience of investors, a list of good preferred and common stocks is herewith appended with the essential data. Most of these issues have been previously analyzed in various issues of The Magazine of Wall Street.

Attention is also called to the Unlisted Utility Bond table appearing in connection with this article. This table is published regularly as a departmental feature of The Magazine, but is taken out of its regular place and inserted in this section for the sake of convenience to investors. It should be noted that the rating given the various bonds listed in this table refer solely to their desirability from an investment viewpoint, and in no way, where the lowest rating is given, should be construed as a reflection on the particular company. Many attractive investment opportunities may also be found among public utility common issues, a list of which is attached herewith. Attention is called to these stocks primarily because of their investment features, though it should be noted that in a declining stock market such as the one now current, even the best issues are affected. However, for investors who are in a position to ignore fluctuations in their securities, many attractive selections can be made from the list as given.

A Suggested Super-Power System for North America

ONE of the most far-reaching conceptions of modern times is shown in this map, prepared by Frank G. Baum, hydro-electric engineer, which discloses a plan for a single electric super-power system to cover practically all of the United States and Canada. Though immense in its scope, it is nevertheless entirely practical with modern electrical apparatus. General Guy E. Tripp, Chairman of the Westinghouse Company, an advocate of this plan, says: "The chief reason for the existence of a single electric system is that it will make available to the entire nation our resources of water power and coal. This system will provide North America with the maximum amount of power at the lowest cost, distribute it to the largest number of people, and conserve our fuel resources in the most effective manner. The single system is not only practical and desirable, but, in my opinion, essential to American progress."



Mining

International Nickel Co.

Nickel Not Yet Out of Slough

Sales Increasing But Profits Small

By NORRIS I. NICHOLS

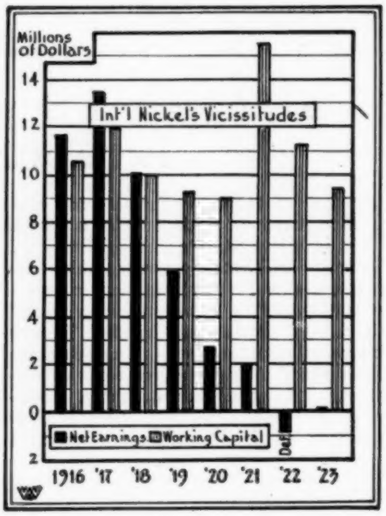
THE new annual report of the International Nickel Co. for the fiscal year ending March 1, 1923, has on the whole been a disappointment to patient stockholders, who expected some improvement to be shown in earnings because of the increased sales and the activity of the steel industry in the first half of the current year. It is true the deficit of nearly $800,000 shown last fiscal year before payment of preferred dividends was improved to a profit of $48,170, amounting to 54 cents per share of preferred.

On the other hand, this improvement took place in the face of as favorable a combination of conditions as the company is likely to face for some time. There was a good demand for nickel from some of the most important customers of the company, which has practically a natural monopoly of the metal because of its control of the large and rich deposits at the Creighton mine, Ontario. The building boom favored the company, nickel being an important constituent of structural steel, and the automobile industry absorbed record amounts of nickel-steel alloys. The monel metal mill of the company at Huntington, W. Va., recently completed at a cost of over 3.7 millions was in active operation, and according to the company's statement, this doubled the sales of rolled nickel products. At the same time many new uses were being developed for monel metal, an alloy of nickel, copper with smaller quantities of carbon, manganese and silicon, which is smelted directly from the Canadian ores.

As a result of these developments, the sales of nickel were stated officially to have equalled the pre-war volume of 1910, and the sales of monel metal in particular to have exceeded those of any year since its introduction in 1906. Early this year, sales of monel metal were running at the rate of 500,000 pounds a month, while nickel sales were reported at 2 million pounds monthly. This compares with pre-war figures of 3-4 million pounds a month.

The fact that with all these things in its favor the company has not been able to show any better earnings is all the more serious in view of the fact that the second and later quarters of the current year may not show such good earnings as the last quarter of 1922 and the first of 1923. The steel industry is commencing to sag off as regards both production and new business, the building boom has received a sharp set-back as a result of the prevalent belief that wages and building materials were too high, and the automobile industry is not expected to maintain throughout the entire year the record rate of production, which has characterized the first two quarters.

The strong financial position which has always marked the company's balance sheets of recent years, as a result of its



ability to build up large surpluses during the war, is still a feature. Current assets of 10.2 millions are fully thirteen times the $780,000 of current liabilities, among the assets being such strong items as 1.5 millions in cash, 1 million in loans made by the company, and 1.8 millions in receivables.

The liquidation of inventory which has featured the company's balance sheets since the peak of 11.9 millions reached in 1920, has been continued still further, now standing at 5.7 millions. This reduction has been accomplished, according to the company's statements, with a loss of but $538,000, which was taken in 1922. The fact that less of the company's capital is now tied up in inventories than heretofore leaves more of it free for investment, as the company's own operations, because of the insufficient demand for its product, are not in position to absorb any great part of its liquid capital.

This strong financial position has enabled the company to maintain dividends at the rate of $6 annually on the outstanding 8.9 millions of its non-cumulative preferred stock, although they have not been earned for the last two years. Dividend requirements being little more than a half-million dollars annually, it is evident that the cash and outstanding loans alone, without counting the gradual liquidation of open accounts and notes receivable in excess of accounts payable, would be sufficient to maintain these dividends for the next five years, even if the company were to earn nothing at all on the preferred during that time.

It may have been the realization of this fact which put the preferred up from around 70 at the beginning of the year, at which it yielded 8.6%, to current levels around 83, at which the yield is 7.2%. In view of the low earning power currently shown by the company since 1920, the current yield is not to be considered attractive when much higher ones can be obtained on securities whose speculative position is no worse.

This would seem to apply likewise to the common, which at 13 is practically unchanged from levels prevailing all through the year. There are 1,673,384 shares of it outstanding, as a result of the reduction of the par value of the stock from $100 to $25 a share in 1916 and the subsequent declaration of a 10% stock dividend.

Before and during the war the stock showed remarkably good earnings, and sold as high as 223½ a share for the old stock before the split-up. The greatly reduced scale of military and naval buying, formerly one of the company's most lucrative sources of revenue, and the necessity of absorbing the huge stocks of nickel left in the hands of smelters, dealers and consumers since then, have reacted unfavorably on the investment status of the stock, and no payment has been made since March, 1919. **So far the company has shown no ability to make money on normal peace-time buying, even under the favorable circumstances prevailing in the last fiscal year, and the stock accordingly seems to present little speculative attraction.**

Petroleum

Simms Petroleum Corporation

How Simms Petroleum Came Back

House Cleaning Process and Its Results—What Is the Stock Worth?

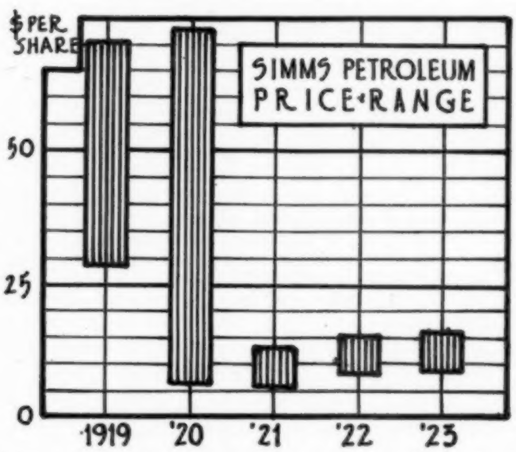
By J. G. SWARTZ

THE vicissitudes of Simms Petroleum may be taken as a fairly good example of the hazards generally attached to the oil industry. Some four years ago, during the boom times, and augmented by the development of what appeared to be a wonderful oil field, Simms was considered one of the very best oil speculations. Under the influence of that bull market, and glowing reports emanating as to its production, the stock reached a price of over $73 per share. Unfortunately, the deep field at Homer, La., from which so much was expected, developed water and the rapid decline of the wells was closely followed by the price of the stock which subsequently reached a price of less than $10 a share.

It is clear that the production from the Louisiana acreage owned by Simms never warranted the prices paid for it and the company was faced with a tremendous loss from this investment. It was also necessary to turn to other fields and make a practically fresh start. Along with those other changes, there was a change in the management of the company and it is generally understood that the policies of the company are dictated by the American International Co. which owns a large block of the stock.

The new management found Simms loaded with a large amount of expensive acreage which did not appear to be favorably located for oil production. These leases were abandoned, thus eliminating considerable expense even though it was necessary to charge these investments off at a loss. Losses on a refinery which had been operating unprofitably were eliminated through the simple medium of abandoning the refinery. In fact, all investments which did not appear to have a good chance of becoming profitable and which were an expense, were cut off, and everything possible was done to get operations down to a profitable basis.

As opportunities presented themselves for the acquisition of acreage in locations where there appeared to be a good chance for production, they were acquired and developed. In this manner, production in the Mexia and Smackover fields was developed.



Production of Simms Petroleum for the year 1922 averaged about 7,300 barrels daily. This was an increase of over 100% over the 1921 production. The production of Simms at the present time is considerably in excess of these figures averaging about 11,000 barrels per day. About two-thirds of this is coming from Smackover and the balance from Louisiana and Mexia. The production from the last-named fields can be considered as settled, while that from Smackover will decline as the wells become older.

This increased production and better management has been reflected in the earnings of Simms. A deficit of two and a third millions in 1921 was changed to a profit of $199,856 in 1922. While the profit for 1922 is small in comparison with the outstanding capitalization, it represents a big step in the right direction.

Simms has outstanding 673,280 shares of capital stock with a par value of $10.00. Earnings for 1922 were equivalent to 29c. per share. There is about a million dollars in cash and quick assets, exclusive of inventory which amounts to about a million and one-half, or a total of about $4.00 per share. There is no funded indebtedness or bank loans outstanding.

It would appear that the price of this stock at $9 per share was too high when based on the earnings of 1922. However, the earnings for the first quarter of this year were at the rate of about $2.25 per share per annum. While some of the earnings were due to the big wells brought in at Smackover, this production should not decline to such an extent as to reduce these very materially. It has been the policy to charge the cost of drilling, etc., direct to earnings and not to capital investment, as is done by most small companies. The present producing properties are practically drilled up and very little additional expense should be expended in their development. This should more than offset any decline in the production in its effect on the earnings.

There is, of course, the very uncertain general condition of the oil industry to be considered in practically any oil investment at the present time. Most investors are anticipating cheaper crude, but many oil men believe that it is the desire of the larger interests to keep the price of crude at least, near to its present levels by means of controlling the present overproduction through the pro-ration of production. Prices of the heavier crudes have been cut as much as those of greater gasoline content. Very little of the heavier Smackover crude has been run through refineries, but has been sold direct to the consumer as fuel oil. As most of Simms production in Smackover is of this grade, and as fuel oil has been fairly strong in price, with little if any reduction anticipated, it is quite probable that they will not be forced to accept a materially cheaper price for their production in this territory. Mexia, on the other hand, is not so fortunately situated and it would not be surprising if the price of this crude was cut proportionately.

It is believed that Simms has definitely turned the corner and from now on will continue earning a fair return on their investments. They should, if the present rate of earnings continue, be in a position to pay a small dividend if they deem this advisable. **In a strong market Simms would appear to have good speculative values at the current price of $9 per share, but under present unsettled conditions, it would be better policy to leave it alone.**

IN THE BANKING WORLD

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

Should We Have Federal Reserve Agencies Abroad?

Need of Correspondents—Can Reserve Banks Serve—Branch Controversy—The Outlook

ONE phase of banking in which the great majority of the smaller banks of the United States have heretofore taken comparatively little interest is that of foreign relations. Conditions now are such that many of them are beginning to give attention to a side of banking which in the past they have been disposed to regard as something of a very special or "fancy" nature.

While it is still true that there has been only a very slight increase in the number of banks that had these connections in any direct sense, the conditions of competition are beginning to convince many that they must arrange to acquire them in a way that will make remittance, the purchase of exchange, etc., cheaper than heretofore. This is one reason why the Federal Reserve System is being so strongly urged from various quarters to create foreign branches—a kind of pressure which is currently reflected in the attempt on the part of one or two reserve banks to open an office in Cuba.

Older Conditions

The older conditions, in the "before-the-war" period, led the vast majority of country banks to arrange their foreign connections with a very small group of banks and bankers numbering about seventy-five, most of them in New York, which actually did possess real foreign connections. Under the arrangements which they then made, they would be allowed to issue travellers letters of credit and drafts on foreign banks, etc., from a general or circular form which was supplied by their local correspondent in New York, and in this way they managed to get along very comfortably.

Competition was not so severe at that time as it has since become, while there was then practically no suggestion that city banks would go into branch banking, and thus interfere with the field of business enjoyed by country banks. The city banks, on the other hand, got a very handsome revenue out of their relations with the smaller institutions, and they particularly profited from the opening of letters of credit on behalf of interior institutions. While there were not very many of the larger banks that were really developing the foreign side of their business on a great scale, it was comparatively easy for them to keep from treading on one another's toes and to divide up the territory and the business quite equitably, so that nobody had any special ground for complaint.

In this way, things went along very smoothly, and when the Federal Reserve System was formed, the Act creating it only provided a permissive authority to reserve banks to establish branches in other countries. The Federal Advisory Council (the general body which represents the banking interests of the country and meets quarterly in Washington to talk over matters with the Federal Reserve Board) very early cautioned the reserve banks not to do anything that would look like "going into the exchange business" because this, they said, would be invading a field that had been very properly reserved to the larger member banks. There was little or no warrant for any such view, because it has always been axiomatic in central banking that one of the fundamental functions performed by central banks was that of representing the country as a whole, and conducting its financial relations with other countries. However, at that time the war was in progress and foreigners were so desirous of getting our goods that it was not necessary to wait to discuss financial conditions with them. It was possible simply to tell them to put up the cash here if they wanted goods. They usually arranged with their own banks to do just that. Thus the whole subject was deferred for a number of years.

Branch and Foreign Banks

As time has gone on since the close of the war, the larger city banks have found that there was much profit to be made from branch banking; and as is well known they have sought to extend the scope of their functions and to gather in more deposits by establishing branches here and there. One of the arguments which they have been able to urge against the small bank has been the fact that the large parent institution was able to furnish satisfactory foreign connections, thereby giving customers remittance and other privileges which they could not get from the small bank unless the latter itself obtained the facilities for so doing from another bank which possessed better connections than it itself had.

In the country, the small banks have found that they had an increasing demand from their clientele for means of remitting funds to Europe, while in other ways the smaller banks have begun to feel their highly localized character a great deal more keenly than they did in former times. One result has been that they have wondered whether they could not get foreign connections of some sort that would be cheaper and better for them than the old plan of going through a city bank correspondent. On the other hand, there has been an increasing amount of business at the smaller ports, such as New Orleans and various others, that call for the actual exercise of foreign exchange functions in a way that necessitated satis-

factory connections in other countries which the banks were not able to make for themselves. It is true that they could still go through a city bank for much of what they wanted; nevertheless, regulations that have been issued by the Federal Reserve Board in the past year or two, have greatly impaired the efficiency of city banks in opening letters of credit and making acceptances on behalf of the smaller banks in other ports.

Need of Reserve System

All this has naturally aroused in the minds of a good many bankers the question whether the agency that would help them out most might not after all be the reserve system. In a number of parts of the country, the subject has been discussed at bankers' conventions; and a good many men who have heretofore been disinclined to see the reserve banks take on any more kinds of business, have been disposed to believe that, after all, it might be very well worth while if the reserve banks would bestir themselves a little; and would do what the Act permits them to do—establish joint branches abroad. Were they to do so, the member bank would have the advantage of a strong cooperative agency operated in its own interest and entirely free of the danger of interference with, or revelation of business affairs relating to its customers with which it might become acquainted.

This feeling on the part of the banks has been stimulated by the fact that the so-called foreign banking corporations that have been formed by groups of banks which took out stocks therein, have on the whole been so unsatisfactory to their members, the latter apparently not being willing to trust them with their intimate business dealings. This accounts for the growth of the feeling among a large class of banks that what they need and ought to have is a series of reserve bank agencies abroad which would supply all of those services which city banks in the past have supplied to their country correspondents, but which do this work at a very small margin of expense. Of course, the idea is anything but acceptable to many of the larger banks of the cities. These regard it as obviously an unwarranted interference with the scope of their own actions. Their attitude has been very clearly revealed in connection with the proposal to establish a Federal reserve branch in Cuba. Thus a very decided line of opposition is being drawn between them and the smaller banks which on the whole are favorable to the acceptance of this responsibility by reserve banks.

Difficulties in the way are found in the fact that the city banks engaged in the foreign exchange business are of course large contributors to the resources of the Federal Reserve System, and as such feel that they ought not to be compelled to use their own funds and arrangements for the purpose of competing with themselves and turning business away into other hands where they would get no profit from it. There is justice in this view; and, in fact, it has appealed so strongly to the banking authorities thus far that they would never heretofore permit the serious consideration of any such plan. Indeed, when Secretary McAdoo once proposed to introduce it, he was completely blocked by the Federal Reserve Board; and probably by members of the banking community working upon or through the Board with the result that he had to drop the scheme, which at that time, however, referred only to the South American field.

There is no diminution today of the obstacles to be encountered, but there is doubtless an increase in the vigor with which some action is being called for in view of the feeling that many country banks now have, that they must develop themselves into completely equipped banking institutions if they want to avoid the intensity of competition, which they now see they must shortly meet in their contest with the branch banking idea as developed under the auspices of some of the larger institutions of the country.

The probable outcome of this controversy is as yet not easy to predict with accuracy and depends a great deal upon the extent to which the present cleavage between city and country banks is allowed to develop. If country banks should continue to grow away from the city banks as rapidly as they have of late been doing in many sections, it would be natural to expect that they would reach a point at which they would be inclined to seek for foreign connections of their own and might easily begin to demand that Federal Reserve Banks should provide such connections on a cooperative basis and without more than a moderate expense for service. This would be the natural tendency of a feeling on their part that they must look out for themselves and no longer depend upon city institutions, which are cutting into their trade.

On the other hand, it may still be that present relations among the banks will shift back into something like their old channel, country banks becoming better pleased with the services of every kind supplied by city banks, and among other things becoming more disposed toward the idea of depending upon the latter for foreign representation and service. At the present moment, there is an evident disposition in many parts of the country to encourage reserve banks to embark upon the foreign banking field regardless of the position assumed by many of the larger members of the system. The controversy at Washington with respect to the establishment of a Cuban branch is merely indicative of a general situation. It may easily take a very considerably larger scope.

Collection and Rediscounts Under Fire

Washington, June 27.

PAR-COLLECTION discussion has assumed a new phase through the sending out by Mr. H. S. Claiborne, Chairman of the Committee of the American Bankers Association on par collections, of a circular designed to arrest the attention of member banks with respect to the general question of the recent Supreme Court decision. Mr. Claiborne in this circular calls attention to those portions of the Supreme Court decision which deny the right of the Federal Reserve Board or system to enforce a universal par-collection plan, and further urges that banks may now resume the charging of exchange without let or hindrance subject of course to the general principles laid down in the decision. The announcement thus made is expected to result in further bank defections from the par-clearance system, and considerably to hamper the development of that method of dealing with current items.

So serious does the situation seem that it is now expected that the Federal Reserve Board will hold at an early date a general conference for the purpose of revising the practice of the Reserve System as regards par collection to the extent that is required by the Supreme Court decision. It is felt, according to current understanding, that further prolongation of the litigation is probably unnecessary, in view of the sweeping and inclusive character of the decision of the Supreme Court. That being the case, it may be decided that a general rectification of practice at reserve banks to conform strictly with the ideas of the Court will be ordered. That should result, it is believed, in terminating the further progress of anti-par legislation in the states; and should put the whole matter to rest, unless Congress undertakes to adopt new legislation with regard to it.

That an effort will be made to obtain such action on the part of Congress has been expected for a long time, and the issue is now likely to be brought sharply to the front, inasmuch as the Courts have given their final verdict.

Urgent effort is still being made to get new conditions under which small banks all over the country can be forced into the Federal Reserve System and a revision of the Federal Reserve Act with that in view is now understood to be in process of preparation at the Treasury Department. One phase of the immediate plan for dealing with the situation is seen in the action taken by the Board on June 26 and revoking the privileges of member banks as agents for non-member institutions in soliciting rediscounts. This action, by cutting off non-member institutions from accommodation (indirectly) at Federal Reserve banks, may operate to drive some banks into the system which would otherwise continue as non-members.

The Bank Examiner—An Asset?

The Use and Abuse of Bank Examinations

PROBABLY there was a period in the history of American banking when the question was more sharply under advisement whether the bank examination system could keep up with banking development and sustain its usefulness, than it is at present. Bank examination, as we know it, is essentially a plan adapted to the system of small or moderate-sized banks, and does not show to best advantage in those cases where a bank has grown to large proportions, still less where it represents a "string" of branches. In European countries, bank examination of the kind that prevails here would be of little or no use. Hence the question: How far will it be of service in the United States as our banks grow to larger proportions and tend to parallel European institutions in methods?

Faults of Examinations

In spite of all that has been done in recent years to improve the examination system, it remains true that the old faults persist in many cases. Among these are political methods of appointment, favoritism of various kinds and nepotism. Coupled with these evils is the kindred evil of taking examiners into the service of the banks they examine about as soon as they really attain a definite usefulness. This tends to make the system a recognized means of passing into the service of banks and inevitably cripples its efficiency; perhaps not noticeably at any given time and probably not dishonestly at any time (save in rare instances), but it has a vitiating effect none the less.

In these circumstances, and with a steadily changing body of examiners, the effect of the examination system of the present day is not as good even as it should be. Examinations are frequently slow and usually costly, relatively speaking, and the history of failures shows quite conclusively that in a good many cases, the bank examiner did not detect bad practices soon enough to correct them. In others, influences brought to bear on the authorities sufficed to keep them from closing the bank although they recognized that they ought to do so. All of these classes of cases are familiar, and represent bank examination conditions which are not only weak and ineffectual, but result in a breach of confidence with the public.

It was because of their existence that the Clearing Houses began to institute examinations of their own a good many years before the Federal Reserve System was formed, while the same general state of things led the framers of the Federal Reserve Act to make special provisions for elaborate examination through reserve banks. The Federal Reserve Board found that fear of duplicate examinations kept banks out of the system, but they have succeeded in bringing about cooperation between Federal National and State authorities so that today there is very little unnecessary annoyance through duplication of bank examinations.

The evils cited are merely examples of conditions which may and do arise under unfavorable circumstances. It is not sufficient to say that under good examination systems, or with the best conditions, no such dangers would be encountered. That is probably true, but the fact that such dangers are possibly encountered remains and shows that our examination system is not altogether satisfactory, even today.

Where Examination Works Best

It is probable that bank examination works best among the smaller institutions and especially among the country banks where the assets are not very complex and where the amount of examination afforded by the directors or officers is comparatively limited, and unskilled. The examiner then comes in more as fulfilling the function of an auditor; a function which in the large bank is performed by an officer regularly designated for that purpose.

In such banks the examiner may be a very helpful and useful friend to the institution and may render services that are invaluable. In due time he becomes familiar with the relatively simple conditions of lending in a given locality and is able to help newly organized banks with good advice while he is able to warn the older bankers as to the general financial conditions outside of the bank and the district, which affect the handling of their funds in other places. But such examination is not always acceptable or congenial to the local banker. He too often regards it as an unnecessary expense or he treats the examiner as an interloper inclined to interfere with what is going on and not worthy of very much consideration. This of course is unfortunate and is a condition which ought to be resisted and resented by the stockholders who in such cases usually find the examiner about the best friend they have.

Where Examination is Unsatisfactory

The least satisfactory examinations are undoubtedly those which relate to very large banks in cities. In these, the questions that the examiner is called to pass upon are usually questions which call for the very highest kind of banking ability, and if the bank examiner were able to render much aid in connection with them he probably would find an important career open to him in actual banking. As for the detailed examination of the books, documents and records of the bank, it is impossible to go through the multitudinous detail in the way that is perfectly feasible with the small bank, and the result is that the examiner will make some special test of his own which may or may not be entirely conclusive.

As a matter of fact, he usually knows very well that the auditor of the bank, who is as keenly alive as he is to the desirability of preventing fraud or wrongdoing, has already checked them over with far greater detail than he could. So the attention is naturally given largely to methods, unduly extended lines of credit and other matters of the sort and his assistance is not always very helpful. In the case of the small bank in the city, the situation may be quite different, just as is true of the country bank, but the large institution is often in a different situation. An example of the conditions had in mind under this head is afforded by the foreign exchange development before the war and early in the history of the struggle. At that time hardly any examination that was worthy of the name was given to the foreign exchange departments of national banks. Conditions have altered since then, but the defects shown in that connection have made themselves apparent from time to time in other directions.

Federal Reserve Examination

Some help in the present situation has been furnished by the Federal Reserve System already referred to. It has not superseded National bank examination of course, but in a good many cities it is doing on a larger and better scale the same things that the Clearing House organizations of those places had begun to do before the Reserve System was established. The Clearing Houses had appreciated the faults of ordinary routine examination and had organized their own systems of inquiry and analysis. These the reserve banks have in many cases taken over and they are now doing an excellent work in bringing about a kind of cooperative relationships between the reserve banks and the member banks, designed to institute mutual cooperation in holding transactions within the provision of the law, keeping banks liquid and generally checking up on their dealings. All this has during the eight years since the organization of the system on a working basis attained a large development and grown into a body of practice which is universally regarded as

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·SERVICE·SECTION·

The Banking Situation

Trade and Industry Thoroughly Financed

EVER since the opening of June, the banking situation has been watched with more than usual attention in order to see what bearing the current changes in business and speculation would have upon the status of commercial institutions all over the country. In general, the indications furnished by banking statistics during the month have been to the effect that demand for bank credit is fairly well "saturated." That is to say, there is nothing to indicate further movement up toward a "peak' higher than that which has already been attained.

Normally, of course, there is an upward movement from now on during the "crop-moving season." **But, as things stand, it would seem as if a reaction in the speculative demand for loans was likely to occur, which would probably come close to offsetting the demand for commercial funds.** If this should go on, it may well be that the "peak" in commercial demand will turn out to have been already passed.

Illustration of Reserve System

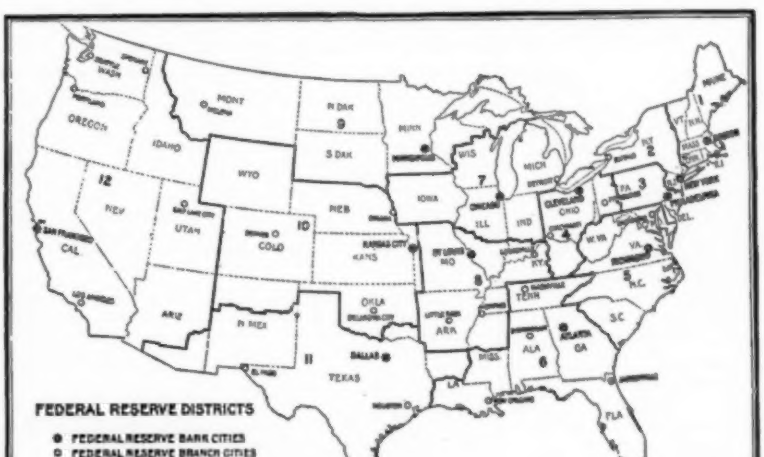
There is some opinion to the effect that in the reserve banks themselves there has been a definite turning of the tide. The latest reports of Federal reserve banks show that the aggregate amount of bills held has been not far from steady, slight increases here and there being shown. But the strictly commercial paper bought or discounted by the reserve banks has quite evidently tended to sag down towards a lower figure. As compared with a year ago, for example, there has been a decided increase in total bills on hand, the amount being perhaps 90 per cent ahead of the figure announced at the corresponding date a year ago. Analysis shows that a very large part of this increase was, however, in bills secured by Government obligations, commercial bills themselves showing only a very limited advance.

This advance is in the neighborhood of $80,000,000 to $85,000,000, a figure which is less than the increase shown at the beginning of June, as compared with a like date a year ago. The plain inference to be drawn from the figures as published is that commercial demands thus far show hardly any inclination to draw upon the reserve institutions.

The situation in the different districts tends to bear out this state of things rather strikingly. In New York, the volume of commercial paper discounted has been running off rapidly for some time past, and, as compared with a year ago, shows but little increase. In the interior, there has been some increase of loans as there naturally would be in the agricultural districts; but, as already stated, the decline of speculative demand has much more than offset them.

The effect of this situation naturally is to cut down operations in the cities and to increase those in the interior banks of the country. It is a striking fact, too, that the interior reserve banks have shown so little serious strain as a result of agricultural requirements. They have, therefore, been able to get along comfortably, and to lead their members to get accommodation to correspondent banks in the cities rather than through applications to them.

Of course, this makes a peculiar situation, indicating as it does that there is not likely to be any resort to inter-reserve bank discounting during the coming autumn, unless there should, as some assert there will, be a great increase or change in the condition of affairs due to unexpected agricultural demands. As for the latter, there is nothing of the sort yet in sight, and the low prices for agricultural products (as compared with other articles) appear to indicate a continued condition of conservatism in the agricultural regions.



Position of Member Banks

The member banks of the Federal Reserve System, which reflect so accurately the general condition of the commercial banks of the country as a whole, show very little tendency to increased strain from their customers; and statements lately made concerning them indicate only a very moderate growth in loans and discounts, while the liquidation of loans, supported by bonds and stocks, has been practically sufficient to offset the growth of seasonal borrowing.

The same condition of affairs is also reflected in the fact that the amounts obtained by commercial institutions from Federal reserve banks by way of advance have shown a sharp tendency to decline, this decline being exhibited pretty well throughout the country, notwithstanding some exceptions here and there due to special and local conditions. Stability of prices has tended to check the disposition to speculate in commodities on a basis of presumed price advance, and this has cut off a good deal of the land speculation which at one time seemed likely to run parallel with that in stocks, especially in the cotton region. Continuation of the conditions now indicated ought to result, according to the best observers, in the maintenance of very normal and reasonable conditions, generally speaking, during the remainder of the season with only a minimum of increased demand for loans in agricultural sections as a result of so-called crop-moving requirements.

The Outlook

A decidedly normal season, with abundant supply of call and time funds and plenty of available accommodation for commercial borrowers, seems now to be in sight, while in the agricultural districts borrowing is evidently likely to be practically average or stable in amount, its seasonal peak being provided by funds given up by the securities market.

SERVICE SECTION

ANSWERS TO INQUIRIES

Industrial Inquiries

ALLIED CHEMICAL

A Strong Company

Can you tell me how Allied Chemical is doing? I am a stockholder and have been patiently waiting for an increase in the dividend, but it does not seem to materialize. What do you consider the chances for a higher rate? Is the financial condition of the company such as to justify a liberal dividend policy?—F. D. M., Boonton, N. J.

Allied Chemical & Dye Corporation for the year ended December 31, 1922, reported earnings equal to $5.68 a share on the 2,177,843 shares of common stock. This compares with $2.27 a share in 1921. On the basis of these earnings, the present dividend of $4 is liberal enough, but although no official statement of earnings for this year has been given out, business of the company has been running ahead of last year and a better report is to be anticipated. Allied Chemical is one of the largest producers of sulphuric acid in the country and had a good demand for this product in 1923. It also controls one of the largest roofing departments in the country and with the building trade doing so well, this phase of the business is prosperous. Its subsidiary, the Barrett Co., is doing a large business through a continuation of the road-building program. The dye business has been doing fairly well, but the outlook for this end of the company's business is more or less uncertain, because of foreign competition. Allied Chemical is in very strong financial condition, as of December 31 current assets totalled 86.8 millions and current liabilities 11.6 millions, a ratio of 7¾ to one. The company on that date had marketable securities on hand of nearly 24 millions. In view of the strong financial condition and the better business now being enjoyed by the company, an increase in the dividend can be looked forward to eventually. The management of the company is of the conservative type, however, and stockholders may have to exercise considerable patience. Few companies cover a wider range in the necessities than Allied Chemical, and we believe that its future is well assured.

BETHLEHEM STEEL

Dividend Insecure

I have purchased 50 shares of Bethlehem Steel common stock which now shows me a loss. The present price seems low for a 5% payer, and I suppose this is because the dividend is not very secure. What is your opinion?—C. L., Danville, Ill.

Bethlehem Steel by taking over Midvale and Lackawanna has greatly increased its outstanding stock. Ultimately, this merger should prove to be beneficial for the stockholders of the company, but at the present time, Bethlehem Steel has large sums of money to spend in improving these properties and co-ordinating the various plants. Ultimately, these improvements will result in a lower cost of operation, but it may be some time before the effect is reflected in earnings. In the first quarter of 1923, Bethlehem Steel did not cover dividend requirements on the common stock. Earnings April and May, however, were in excess of dividend requirements and it is likely that the first six months will show dividend earned. Whether the dividend will be maintained or not, depends, in our opinion, on how general industrial conditions work out in the next few months. Should the company be able to keep up the present rate of operations, the dividend is apparently safe, but any important falling off would immediately put it in jeopardy. From the long-pull viewpoint, we think very well of Bethlehem Steel, but at the present time, it must be considered in a decidedly speculative position.

A LONG-PULL POSITION

Stocks of sound companies held outright for income and appreciation in volume over a period of years need not be sold now

Your remarks in recent issues of THE MAGAZINE OF WALL STREET, *to put investment funds in a highly liquid condition, were very timely. Unfortunately, I did not act on this advice. My stock holdings are held outright and are in strong companies. These stocks I purchased for income and with the idea of holding for appreciation in value over a period of years. That is the reason I did not sell out, but I can see now that by selling out, I could have repurchased the same securities very much lower and thus mark down the original cost of my investment. I would like to have your advice as to whether it would be advisable to sell out at this time, or hold in view of the fact that I have already missed taking advantage of a relatively large decline. The stocks I am holding are Westinghouse Electric, Union Pacific, American Tobacco and United States Steel.—R. T. L., Jacksonville, Fla.*

Investors in common stocks, even though they have selected securities that are attractive for the long pull and may ultimately sell very much higher, should not neglect the opportunities offered by big swings in the stock market. In other words, by a careful study of market movements, they can improve their investment position by selling out at or near the top of a bull movement and repurchasing in a period of low prices. This is what a large percentage of investors fail to do thus overlooking many wonderful opportunities to augment their capital. Westinghouse Electric, Union Pacific, American Tobacco and United States Steel are all very strong companies and on the basis of earnings and intrinsic value appear attractive at present prices. As you say, these stocks have already had a considerable decline and you have probably missed the greater part of your opportunity. It is our opinion that they are likely to go somewhat lower this year, because of general market conditions, but at present levels, it may not be advisable to risk the possibility of losing your long-pull position by selling out.

AMERICAN EXPRESS

1922 Report Unfavorable

Several months ago I was told by my broker that American Express stock was a good investment purchase, as it was a strong company and probably would pay larger dividends soon. I followed this advice, unfortunately, and now see that the dividend has been reduced. What is your opinion of the stock and why was this unfavorable dividend action taken?—K. D. T., Warren, R. I.

American Express is unquestionably a strong company, but earnings in the past two years have not been very satisfactory; and this accounts for the reduction in the dividend. For the year ended December 31, 1922, balance available for dividends was approximately a million dollars, equal to $5.52 a share on the capital stock. Earnings in 1921 were about the same. As a 6% stock, at present levels of 102, it appears high enough and, in our opinion, you would do well to switch into some security that returns a higher yield. A suggestion is Westinghouse Electric paying $4 and selling around 56 to yield 7.1%. Westinghouse Electric has an excellent record and its business at the present time is on a decidedly prosperous basis. Unfilled orders on hand are unusually large. (*Please turn to page* 446)

(*Continued from page* 444)

·SERVICE·SECTION·

B. F. GOODRICH

Price-Cutting in Tire Industry

What is your advice to a holder of Goodrich common stock? I have been holding this stock for some time, patiently waiting for resumption of dividends, but the failure of the company to make good along these lines has about tired me out. Before disposing of the stock, however, I thought I would ask your opinon. Is there any dividend-paying stock which you would advise switching into?—A. F. S., Philadelphia.

B. F. Goodrich Company, for the year ended December 31, 1922, only earned 73 cents a share on the common stock and for the year 1921 a deficit of nearly nine millions was reported. For the first five months of 1923, Goodrich was able to largely increase its output and profits for this period are understood to have been very satisfactory. However, conditions in this industry at the present time are not particularly favorable. There has recently been a price cut of ten per cent and competition is very keen. The tire industry is suffering from overproduction and there are too many companies in the field scrambling for business. The failure of Goodrich to resume dividends has probably been due to the desire of the management to pay off bank loans before rewarding stockholders. Notes payable as of December 31, 1922, totalled twelve and a half million dollars. Goodrich is one of the strongest tire companies and the stock is not without long-pull possibilities. However, we do not feel that dividends are likely this year, and, in our opinion, it would be a good move on your part to switch into a dividend-paying stock. A suggestion is Moon Motors selling around 23 and paying dividends at the rate of $3 per share per annum. This company earned $5 a share on the common stock in the first six months of 1923. It is in strong financial condition and the product of the company appears to be growing in popularity. (*Please turn to page* 458)

Inquiries on Railroad Securities

ST. LOUIS-SAN FRANCISCO

Adjustment and Income 6s

What is your opinion of St. Louis-San Francisco Railway adjustment 6s and income 6s? I note that they are selling about ten points apart. Can you tell me the reason for this and which is the best to buy, if either?—E. L. F., Cleveland, Ohio.

There are 40 million St. Louis-San Francisco adjustment 6s due 1955 outstanding. Interest is payable April and October, if and to the extent that the available net income of the company shall suffice for such a payment. Interest, however is cumulative and any deficiency shall be due and payable whenever the company shall have any available net income applicable to such payments. There is outstanding 35 millions of the income 6s due 1960. Interest on these bonds is also to be paid only if earned and is non-cumulative. This explains the difference in the market price of these two bonds, for if in any six months period St. Louis-San Francisco should not earn sufficient to cover the interest requirements on the income 6s, the interest would not be paid and would not be made up in the future, whereas in the case of the adjustment 6s, any interest unpaid would immediately be made up when earned. In the year 1922, interest on these two bond issues was earned with only a small margin to spare, but earnings in the current year have shown a marked improvement and it is quite likely that for the full year, the interest will be earned twice over. Both these issues are to be classed as speculative bonds, but at present prices of 71 for the adjustment 6s and 65 for the income 6s appear fairly attractive for a business man's investment. We consider the adjustment 6s a better purchase in view of the fact that the interest is cumulative.

CENTRAL RAILROAD OF NEW JERSEY

Lehigh and Wilkes Barre Coal Sale

Will you be good enough to explain to me just what Central Railroad of New Jersey will receive from the sale of Lehigh and Wilkes Barre Coal Co. stock and what this is likely to mean to stockholders of the former? I have held some of the stock for investment for many years and I am naturally interested to know how the situation may work out. In your opinion, is the stock worth more than the present price of 185?—H. I. L., Paterson, N. J.

November 17, 1921, Central of N. J. announced sale of Lehigh and Wilkes Barre Coal stock for $32,291,130. A few days later the Coal Company declared a $35 dividend, of which New Jersey Central share was applicable to the purchase price. Earlier in 1921, Lehigh and Wilkes Barre Coal declared a dividend of $75 a share. The total of these special dividends and the sums to be received through the sale is approximately 43 million dollars. Central Railroad of New Jersey capital stock totals $27,436,800 so that funds received from its coal subsidiary through sale and dividends in the past two years, total approximately $150 a share on the stock. Under normal conditions in past years, Central Railroad of New Jersey earnings from its railroad property alone have been sufficient to show the 8% dividend on the stock earned with a fair margin to spare. At present prices of 185, therefore, this stock would appear to be selling at a relatively low price. The book value of the stock at the close of 1921, was $324 a share and on this date the coal stock stood on the company's books at only 2½ million. There is no definite information available as to what the management of New Jersey Central plans to do with its big cash surplus.

MISSOURI PACIFIC

Earnings Unsatisfactory

What would you advise doing with one hundred shares of Missouri Pacific preferred purchased at a price about five points above present market quotations? Do you consider that dividends are likely in the near future?—R. G. L., Wilkes Barre, Pa.

Despite the heavy traffic which most railroads of the country have enjoyed this year, Missouri Pacific earnings have not been satisfactory. Earnings for the first four months of 1923 were at the rate of only 65% of fixed charges. It is likely that Missouri Pacific will make a better showing in the balance of the year, but hardly good enough to warrant resumption of dividends on the preferred stock. Our advice is to switch into St. Louis-San Francisco 6% preferred selling around 40. Earnings of the road so far this year have been sufficient to cover preferred dividend requirements several times over. We feel that this issue is much closer to dividend payments than Missouri Pacific preferred and that you will recover your loss more rapidly by making the switch.

SOUTHERN PACIFIC

Strong Financial Condition

Will you please suggest to me a railroad stock that you consider is an attractive investment for the long pull? I prefer some issue that gives a reasonable return and whose dividend is reasonably secure. My idea is to put the stock away for income.—O. C. S., White Plains, N. Y

A good stock for your purpose, in our opinion, would be Southern Pacific common. This road is in very strong financial condition, cash on hand as of December 31, 1922, totalling 23 millions. For the year ended December 31, 1922, 12.47% was earned on the common stock and earnings so far in the current year has been at the rate of about 10%. This road has an excellent earning record over a long period of years and has paid its present dividend of 6% for sixteen years without a break. At present prices of around 86 the return to the investor is 7%. The road has demonstrated that despite severe competition from the Panama Canal, it is (*Please turn to page* 448)

The Passing of the "One-Horse Town"

The one-horse town is no more. Even the most thinly populated counties have good paved highways or graded roads, usually open the year 'round and fast economical transportation via automobiles.

In horse days the friend or store fifty miles away might almost as well have been across the ocean, but now fifty miles is merely an easy run of an hour or so for the man with a car.

Economical transportation dissolves sectionalism and amalgamates all America. It has far-reaching social, political and commercial effects. To the student of economics, the general adoption of the automobile coincides with a new epoch in the history of the United States—an epoch in which many long established standards of living are being replaced by newer and different standards necessitating a fresh viewpoint of all commercial and financial relations.

In this transformation of the nation, Chevrolet, the leading exponent of economical transportation for all is playing an important part.

for Economical Transportation

CHEVROLET

epitomizes the progress of the industry to date along the line of maximum economy consistent with modern requirements as to engineering efficiency and satisfactory quality. The wonderful increase in our sales proves that Chevrolet is leading in the evolution of individual transportation which measures and records the progress of civilization.

Prices f.o.b. Flint, Michigan

Superior Two Passenger Roadster	$510
Superior Five Passenger Touring	525
Superior Two Passenger Utility Coupé	680
Superior Four Passenger Sedanette	850
Superior Five Passenger Sedan	860
Superior Commercial Chassis	425
Superior Light Delivery	510
Utility Express Truck Chassis	575

Dealers and Service Stations Everywhere

Chevrolet Motor Co.
Division of General Motors Corporation
Detroit, Michigan

Superior Utility Coupe $680 *f. o. b. Flint, Michigan*

(*Continued from page* 446)
able to show substantial earnings and we feel that the present dividend rate is well secured.

·SERVICE·SECTION·

NEW YORK CENTRAL

7% Rate Appears Secure

I am holding some New York Central Railroad stock which I bought years ago at about 114. In view of the uncertainty of Government action regarding railroads would you advise taking advantage of the present price of par or above in disposing of the same? It seems to me that bonds paying 5% or 6% would be the better investment.—T. P. K., Pittsburgh.

For many years, New York Central has placed a large percentage of its earnings back into the property instead of paying them out in dividends. The management has now decided to adopt a more liberal policy towards its stockholders and from the earning record New York Central has shown, it would appear, to be entirely justified in paying the 7% rate. Earnings for the first four months of 1923, allowing for seasonal variations of traffic, were at the rate of about 18% on the stock. Of course, common stocks of railroads are all more or less speculative and it is quite true that the radical element in Congress will probably make an effort in December to force through legislation which might react unfavorably on railroad securities. In this connection, a recent decision of the Supreme Court, to the effect that valuation of public utility properties must be on the basis of replacement value rather than original cost, is important as this apparently would also apply to railroads. It is questionable, therefore, whether any legislation would hold that would prevent railroads from earning a fair return on the invested capital. In view of the length of time you have held New York Central stock, we do not deem it advisable to dispose of it, now that it is paying a much more liberal dividend. The stock, in our opinion, is likely to eventually work up closer to the price you paid for it. Of course, bonds paying 5% and 6% are a much better investment from the viewpoint of safety and if you are not in a position to assume a business man's risk, you should limit yourself to this class of security.

New Security Offerings

WHEELING STEEL 6% NOTES

Secured by Collateral

What rating do you give to Wheeling Steel three year 6% notes?—A. M., Chicago, Ill.

Wheeling Steel 8 million 6% notes, due 1926, are a direct obligation of the company and are secured by pledge of 10 millions, Wheeling Steel 1st and refunding mortgage 5½% bonds, Series A. These bonds are a direct mortgage lien on fixed property having a total book value, after full reserves for depreciation and depletion, as of April 30, 1923, of 59½ millions, subject only to 15 millions underlying divisional bonds outstanding under closed mortgages. Consolidated annual net earnings of the corporation and its subsidiaries for the 14 years ended December 31, 1922, after providing for depreciation and depletion, averaged more than five times annual interest charges, including these notes. Current assets as of April 30, 1923, after giving effect to this issue, were 36 millions and current liabilities 4.6 millions. Wheeling Steel owns and operates the properties formerly operated by the Wheeling Steel & Iron Co., La Belle Iron Works and Whitaker-Glessner Co. There are 14 main manufacturing plants located along the Ohio River Valley manufacturing pig iron, steel billets, sheet bars, slabes, plates, tubes, sheets tin plate, wire and a widely diversified line of finished products. The company is largely self-contained in its operations, owning the major portion of its raw material requirements. In view of the collateral pledged these notes are entitled to a high rating, and at offered price of par to yield 6%, appear attractive. Holders have the privilege of converting at any time into the first and refunding mortgage 5½s, due 1949, at 98.

MEMPHIS POWER & LIGHT 6s

Well Secured Issue

How do you regard Memphis Power & Light Series B 6% bonds which I note are being offered at 99½?—O. V. M., Buffalo, N. Y.

Memphis Power & Light 1st and refunding 6s, Series B, due 1948, are secured by a direct first mortgage upon a substantial portion of the company's property including the recently acquired generating station, and a direct mortgage upon the remainder of the physical property subject to two issues of underlying (closed) mortgage bonds aggregating $1,831,000. Earnings for the 12 months ended April 30, 1923, available for interest renewals and replacements were $1,170,312 as compared with annual interest requirements including this issue of $486,550. Construction is under way for the installation of a new 15,000 kw. unit, the completion of which will enable the company to handle substantial additional amounts of power business which are now available. Company does the entire central station power and light and the entire gas business of Memphis, Tenn., serving a population of over 200,000. We consider these bonds well secured and a good investment at the offered price.

CHICAGO & NORTHWESTERN

Equipment Trusts

I have noted your advice given in recent issues of the MAGAZINE OF WALL STREET *that it is advisable to have at least part of ones funds in securities that can readily be liquidated without loss. I have considerable cash on hand at the present time and am considering placing some of it in equipment trust certificates of early maturity. Are the Chicago & Northwestern equipments recently offered all right for this purpose?—J. B., New Haven, Conn.*

Chicago & Northwestern $9,930,000 5% Equipment Trust Certificates are secured by modern equipment costing 13.2 millions, all of this equipment is leased by the trustees to the railroad at a rental sufficient to pay the principal and interest when due. They mature in equal annual installments from June 1, 1924, to June 1, 1938. In our opinion, the earlier maturities of this issue would be suitable for your purpose. They are offered at a price to yield 5.25%.

PURE OIL 6½s

Yield 6.6%

Please give me your frank opinion of the Pure Oil Company 6½% bonds which are now being sold. The yield of 6.6% is, of course, attractive, but I note that the stock of the company has had a big decline recently and these bonds may be too speculative for me. I do not limit my investment to only high-grade issues, but wish to avoid anything of a speculative nature.—S. A., Yonkers, N. Y.

Pure Oil Company 12 million 6½% notes, Series A, due 1933, are a direct obligation of the company and with 4 million outstanding bonds of subsidiaries constitute the entire funded indebtedness. Under the indenture, it is provided that neither the company nor its subsidiaries will create any additional liens or incumbrances against any of their properties, excluding the issuance of public utility bonds under certain conditions, and that current assets of the company and subsidiaries shall at all times be at least equal to the total indebtedness of the company and subsidiaries including these notes. A sinking fund will retire approximately 50% of the notes before maturity.

Net earnings for the past six years have averaged 10½ times interest requirements including the present issue. These notes are followed by preferred and common stocks, both of which are paying dividends and which have a market value at the present time in excess of 60 million dollars. Property, plant and equipment are carried on the balance sheet at over 126 millions. It can readily be seen from these figures that the notes have a very big equity behind them and are protected from any additional liens being placed ahead. It is our opinion that they are a good business man's investment at the offered price of 99 to yield 6.6%.

THE MAGAZINE OF WALL STREET, through its Inquiry Department, will be glad to assist subscribers in making their choice of investment or brokerage house. This service is of particular value to inexperienced investors who are unfamiliar with the nature of the service rendered by the various investment firms. If you need this service or are not sure about the broker with whom you are now dealing, write to the Inquiry Department, MAGAZINE OF WALL STREET, 42 Broadway, New York City.

Thirty Million Dollars in 1923 To Meet Constantly-Growing Demands for Service

TO provide for the ever-increasing requirements for electricity and gas, operated utilities of Standard Gas and Electric Company will spend $30,000,000 on new property construction, extensions and additions in 1923. Total power resources of the companies will be increased over 39%.

Growth of the business of these companies—serving 665 cities and towns, with population of over 2,375,000, in 16 states—has been consistent since 1912. The substantial increase of 1922 was reflected in a gain of 23.3% in net revenue of Standard Gas and Electric Company. Dividend requirements on the Preferred stock were earned more than 2½ times.

Securities of public utility companies represent the most substantial and reliable form of corporate investment to be found—investments in properties supplying daily necessities. They are fundamentally sound and meet the requirements of the conservative investor. Diversity of their business is limited only by activities of the people and natural resources.

You may share in the prosperity of one of the large, progressive and rapidly-growing utility organizations of the country by investing in the

8% Cumulative Preferred Stock

Standard Gas and Electric Company

Par Value $50 — *Non-callable*

Listed on Chicago Stock Exchange

These shares may be purchased through us by mail, safely and conveniently—by our Monthly Investment Plan if desired. At the current market price they yield the investor a return of about 8%.

Write for new illustrated booklet, describing the remarkable growth of the Company and its future prospects, and containing interesting charts, and air pictures of Minneapolis, St. Paul, Louisville, Oklahoma City, Mobile, Tacoma, Stockton and San Diego.

Ask for booklet BR 172

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·SERVICE·SECTION·

TRADE TENDENCIES

Production on Lower Plane

Seasonal Reaction at Hand

STEEL

New Buying at Minimum But Improvement Expected

CONSUMPTION of steel products continues at a heavy pace, but new buying is of comparatively small dimensions. A curious feature was that June buying was slightly greater than that in May, which seldom occurs. It is believed that the present stagnation in buying will give way to a fair-sized revival within a few weeks. Production has fallen off due to hot weather and to loss of labor attracted by out-of-door pursuits.

There has been some recession in steel prices but the general average is holding firm. It is not likely that any material set-back will take place in the near future. On the other hand, there is nothing to justify expectations of an important upswing. The outlook is that prices will be established at these levels for some time.

The pig iron situation is quiet and expectations are that third quarter buying will not be of important dimensions. Foreign buying is playing less of a role than in the past few months and this has eliminated a strong support of the market. Production continues high to fill old orders but a drop will undoubtedly take place in the near future.

Earnings reports for the second quarter will be very satisfactory but the outlook is that third quarter earnings will show the effects of the current reaction.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1923 High	1923 Low	1923 Last*
Steel (1)	$46.25	$36.00	$46.00
Pig Iron (2)	31.50	24.00	27.50
Copper (3)	0.17½	0.14¼	0.15
Petroleum (4)	4.10	3.00	3.00
Coal (5)	4.25	2.02½	2.07½
Cotton (6)	0.31	0.26½	0.28¼
Wheat (7)	1.38	1.18	1.20
Corn (8)	0.83	0.68	0.83
Hogs (9)	0.08½	0.07¼	0.07¼
Steers (10)	0.10¼	0.08¾	0.09½
Coffee (11)	0.10	0.10¾	0.11¼
Rubber (12)	0.37	0.27	0.25⅝
Wool (13)	0.58	0.56	0.57
Tobacco (14)	0.24	0.18	0.24
Sugar (15)	0.08½	0.05½	0.07¼
Sugar (16)	0.10½	0.07	0.09½
Paper (17)	0.04⅛	0.03¼	0.04

* June 28.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

MOTORS

Over-Production?

As a result of the tremendous pace of production in the first half of the year, the supply of open cars has far outrun the demand. These cars have been a burden on the hands of dealers for some time already and the added supply is making matters more difficult. Some companies have lowered prices in order to stimulate demand but it cannot be said that such efforts have proved completely successful. Altogether, it would appear that the industry has made another mistake in permitting production to increase at a time when it was not clear that the supply could be moved. As a result of this accumulating situation, it is practically certain that production will fall sharply from these levels.

The truck situation is somewhat different as there has in no sense been an over-production and, in fact, more than in the passenger car business the effort has been to limit output in conformity with orders actually placed. As a result, the more important automobile truck companies are expected to show comparatively better results than those specializing in passenger cars.

METALS

Prices Continue to Sag

Sporadic attempts at improvement in the metal industries of late have proved abortive. Demand consequently has fallen into a state of apathy, comparable only with the 1921 period, when most metals were in the doldrums. The immediate prospect is for a drifting market, with perhaps some concessions in price. Statistical position of copper is, broadly speaking, greatly improved. The Copper Export Association has finally disposed of the last of its stock and scrap copper in the hands of domestic consumers has virtually disappeared. Copper prices are now quoted at around 15 cents but probably will be shaded from this level. Zinc and lead are not in as good a position as copper and prices are still following a downward trend. Declining consumption of lead in foreign markets is responsible for the declining quotations of the metal and over-production of zinc is responsible for the relatively unfavorable position of that metal.

THE TREND

STEEL—Production Lower. Demand at low point but will probably increase. Labor diverted to out-of-door pursuits.

METALS—Statistical position of copper strong but present lull is provocative of lower prices. Zinc and lead weak.

OIL—Steady Over-Production of crude. Industry in Unsettled Condition.

MOTORS—Over-supply of open cars. Lower production. Outlook Unfavorable except for truck manufacturers.

TEXTILES — Operations Restricted. Southern mill competition effective. Producing interests affected by high costs and narrow margin of profit.

LEATHER—Dulness continues. Shoe manufacturers reducing mill operations.

SUMMARY: A definite lull has set in and hesitation is more manifest in business circles than at any time this year. Prices are gently falling. The general outlook is for a period of diminishing activity during the next few months.

A SIMPLE STATEMENT of the financial condition of the EMPIRE GAS & FUEL CO.

—of interest to holders of its securities and to investors seeking sound short term bonds, with the attractive yield of 7.20%

THE COMPANY OWNS

Plants, buildings, leaseholds and similar fixed assets worth	$263,934,188.48	
U. S. Bonds, moneys owed by other people, quickly saleable oil, etc., which can be readily turned into cash . .	28,242,566.93	
Other assets such as prepaid insurance, amounts due from affiliated companies, etc.	9,480,630.13	
The resources of the company are therefore		$301,657,385.54

THE COMPANY OWES

To business creditors	$8,512,042.29	
To bondholders	63,110,200.00	
		71,622,242.29
The company therefore has a net worth of		$230,035,143.25
Subtracting the stockholders' investment represented		
By Preferred Stock	$25,343,435.00	
By Common Stock of Empire Gas & Fuel Co. . .	75,000,000.00	
By Common Stock of subsidiary companies in the hands of the public	3,642,130.56	
		103,975,565.56
This leaves a surplus of	$126,059,577.69	
—of which there has been set aside a reserve of	77,892,841.55	
—leaving a NET SURPLUS of		$48,166,736.14

From this plain statement of the condition of the Company which is taken from the Consolidated Balance Sheet as of February 28, 1923, the unusual amount of security back of the Company's issue of $10,000,000 Three-Year 7% First and Refunding Gold Bonds, Series B, can be appreciated.

When it is further remembered that the net earnings of the Company show an annual average for the 5 years ended November 30, 1922, of $16,507,665.65 and that the annual interest charges on all its funded debt, including the $10,000,000 Series B bonds are $4,492,255, the security for both payment of interest and principal may be appreciated.

The price of a $100 par value bond of this Company is $99.50; the coupons pay $7 annually, and the bond becoming due on May 1, 1926, the yield is, therefore, 7.20%. The price of a $500 bond is $497.50 and the coupons pay $35 annually. The price of a $1,000 bond is $995, and the coupons pay $70 annually.

Complete information regarding the securities of this company on request

A. B. Leach & Co., Inc.

Telephone John 1400

62 Cedar Street, New York

The information and figures used in this advertisement are taken from sources which we consider trustworthy, and, while not guaranteed, they have been relied upon by us in the purchase of these securities for our own account.

Prevention Better Than Cure

About Uses and Abuses of the I. V. C.

By G. W. B. WITTEN

RALPH W. BUDD, Manager, I. V. C., Inc.

THE Investors' Vigilance Committee, Inc., is a very busy organization devoted to the interests of investors. It has plenty to do without being requested to go into the merits of enterprises that have been dead for a generation. The task of the I. V. C. Inc. is to analyze the merits or demerits of stock promotion schemes that are now alive. In order that the Committee have full opportunity to develop its work without hindrance, readers are requested not to send in letters about companies that they know are dead but confine their requests for information to companies that are now operating or that are now alleged to be operating.

FROM the very inception of the work of the Investors' Vigilance Committee we have endeavored to render to the public a "Paul Revere" type of service. We are glad to be able to say that in the main we have succeeded, and in many localities we have managed to get the people in the habit of making a thorough investigation of all securities offered them before investing.

This is as it should be, but we regret to say that there are still numbers of inexperienced people who have not got the right idea of what we are doing, or if they have, they consider their own judgment in investment matters sufficiently good to warrant their making investments without asking anybody's opinion. However, we have also found that most of these self-satisfied people are very quick to look to us for help when, after they have been badly stung, seek for a means to get their money back.

One of our greatest financiers once remarked that "The public does not think." This has often proven to be the case. We are trying to get the public to think and to think hard whenever they are approached by a vendor of securities. But we want them to think *before* it is too late, and not *after* the damage is done.

Recently a request came into the office from a Chamber of Commerce asking for information on a security which, when we made an investigation, we found had been obsolete for twenty-five years. As we have had a number of such requests recently we made a point of finding out just what it was that prompted the inquiry, and learned that a member of the Chamber had dug up some papers of his father, and among them had found these old obsolete securities. On being questioned, this man admitted that he had known that this mining company had gone to the wall years ago, and that his father had told him that the investment was a complete loss. The history of the company was that their mine had proved to contain only a very poor grade of ore and this finally played out entirely. Later they had been forced into bankruptcy by their creditors. Their few remaining assets had been sold at auction and their creditors received around ten cents on the dollar. The stockholders received nothing.

All this was known to the inquirer, for his father's paper contained a complete record of the case. When asked why, although knowing all this, he had made inquiry, he stated that he was just curious to know what had become of the officers of the company. Now the I. V. C. is glad to help in guiding people through their local committees in matters of investment, that is our work; but we are too busy to hunt up dead issues simply because someone is curious about them. In securing the data on the above case, it took one man's entire time for nearly two weeks, and the expenses ran up into the hundreds of dollars. If such requests were rare we would not mention it, but every few days we run into a similar case. A request comes in for information on a security. We naturally suppose that salesmen are soliciting people for the sale of this stock. We detail an investigator, who learns that the concern in question has been defunct for years, and that the inquiry was made by someone who just wanted to see what would happen.

"Let the Dead Past Bury Its Dead." The I. V. C. is not interested in defunct enterprises. There are too many that are dangerously alive and that take all our energies to keep up with. Therefore we request that people will refrain from asking us about concerns that they know are past history. Often these requests are prompted by a desire on the part of the inquirer to see if we are able to find out as much about the matter as they know. In other words, they want to test our ability.

The ability of the I. V. C. has been well tested. We have succeeded in gleaning information where even the State and Federal authorities have failed. Still we do not object to having our work tested, but we want the test to be in such a manner that it will be of real benefit to someone.

There have been a number of crashes recently in the security world. Following each of these crashes we have received a deluge of inquiries, and invariably each inquiry contains the question, "Is there a chance to get my money back?" The crash of a big promotional enterprise always produces columns in the newspapers exposing that whole story of the promoters transactions. Any information that we can add is generally negligible, yet when the investors have the whole thing before them they turn to us for more information.

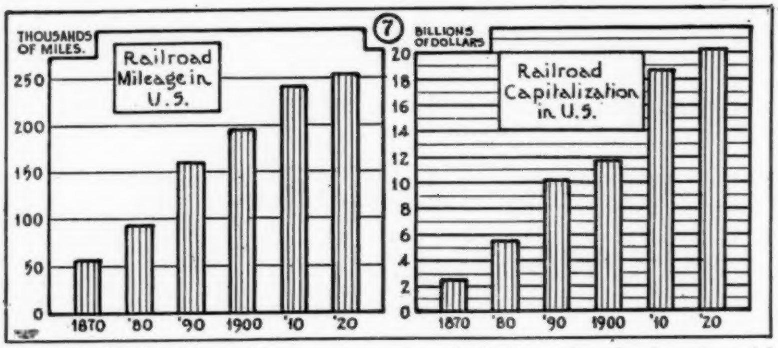
If we could only get people to come to us before they invest, before the crash comes, just think of the millions of dollars we could save for legitimate enterprise. But we so often find that before the crash of an enterprise people have been so packed with lies by smooth-talking salesmen that they not only thoroughly believe in the enterprise but they are ready to fight in defense of the promoters.

Recently the writer was talking before an assembly of leading business men, and was asked to give an opinion on a certain promotion then in progress. The I. V. C. had made a thorough investigation of the affairs of the concern in question, and had found everything about it very much out of order, and had also learned that only a miracle could keep this concern out of the hands of the receiver. The writer stated these facts and immediately met with a torrent of indignant denials that there could be anything wrong with the men who are at the head of the enterprise. The argument became somewhat heated, so the writer closed it by stating that within a short period of time the crash would come. Since then the crash has come. This concern has gone into bankruptcy and the officers are now under indictment, and as usual the very men who denounced the writer for his opinions have since written to us and asked us to help them get their money back.

"Prevention is better than cure." Do not wait until you have been stung before seeking competent advice on a security. And when you are given advice by a competent, disinterested party do not be hasty about condemning that party's opinions. Remember that the work of the I. V. C. is to prevent, not to cure. Take any proposition that is presented to you to your local vigilance committee, and ask them to ask us about it for you, then when the answer comes let it be your guide. We are ready to help you, and are always at your service, through your local committee.

This page has been donated by THE MAGAZINE OF WALL STREET *for the express purpose of presenting regularly the work of the Investors' Vigilance Committee, Inc., with whom we are cooperating in conjunction with the Chambers of Commerce and other Business Organizations of the Nation.*

The statements contained herein are not guaranteed but are based upon information which we believe to be accurate and reliable.—Editor.



That the railroad holdings of insurance companies should have taken the sharp jump following 1888, *as shown in the separate chart below, is less surprising when the above comparisons are considered. They show that over* 75% *of our Railroad mileage and over* 75% *of Railroad Capitalization was consummated in the period from* 1870 *to* 1920.

(*Continued from page* 407)

Mortgages and confined their purchases of Stocks & Bonds to less than 10%.

In the forty-five years that followed, a very drastic change took place, as another glance at Chart 8 will confirm: By 1905, portion of Assets invested in Mortgages had declined to little more than one-quarter of the whole, while the portion invested in Stocks & Bonds expanded to more than half of the whole.

There were very logical reasons for this shifting of the Insurance companies' investment bulk during the period covered. The decline in Mortgage holdings, for example, was a natural consequence of the unsettlement which developed in the realty world as an outgrowth of the more or less general financial disturbances which occurred in the 70's. How serious these disturbances were is suggested by the line in Chart 8 which records Life Insurance holdings of Real Estate. This line many authorities consider to be a very accurate barometer of real estate conditions in general, since it represents, in large measure, the amount of Real Estate, formerly accepted as security for mortgage loans, necessarily taken over by the Insurance companies in satisfaction of mortgage obligations which cannot be met. When the Real Estate market is "overbought," and foreclosures begin, the realty line in Chart 8 rises, and vice-versa.

Note, then, that in the 10 years from 1870 to 1880, Life Insurance holdings of Real Estate soared from about 4% of their total assets to about 11%—or an increase of some 200%. That the demand for Mortgage Loans should have declined in the interim is not surprising.

The Increase in Security Holdings

So far as the amazing increase in holdings of Stocks & Bonds is concerned, a large measure of this growth may be attributed to the co-incident development of America's great railroad systems from 1870 on. Glance at Chart 7, which traces this railroad growth, and you will see that a full three-quarters of the total mileage of our present transportation system went into operation during the period from 1870 to 1920; also, you will note that a full three-quarters of the existing capitalization of our railroad companies was issued during the same period. The Life Insurance companies, with increased surplus assets resulting from liquidation in the Mortgage field, were inevitably attracted by the expansion of the Railroad field and the great promise which that expansion held out; it was natural that their Bond & Stock holdings (for a long period made up largely of railroad securities) should have expanded in the manner shown.

That holdings of Securities and those of Mortgage Loans should have reversed their trend in the period from 1905 to 1915 (Security holdings declining some 10%, while Mortgage holdings increased by a similar amount) is equally logical. Put your thoughts back to the ten years prior to the war, when Steel common could be had around $10 per share and Union Pacific around par: Securities were necessary evils in those times—objects of some curiosity — mementos of better days; but their investment appeal, due to growing industrial depression as well as, in no small degree, to the trust-busting era, was limited in the extreme.

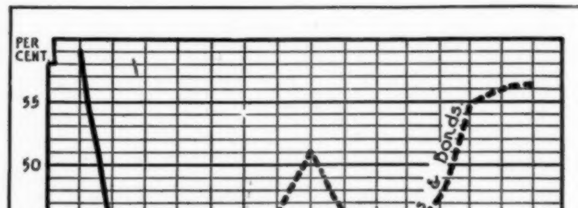
Since 1915—

The changes which occurred in the distribution of Insurance Assets in the period following 1915 and down to the present day are the most interesting we have to review. You will note, again from Chart 8, that holdings of Stocks & Bonds rose steadily; that Mortgage Loans, after a 4-year decline, also started upwards, while Real Estate holdings dropped steadily lower.

Harking back to our previous analysis of the Real Estate holdings of Life Insurance companies, little need be said about the decline in these holdings during the period under review. Obviously, the widespread prosperity which developed following the outbreak of the war, the surging demand for Real Estate which grew out of that prosperity, and the doubling and trebling of Real Estate values in consequence of this demand, all contributed to the decline in this Real Estate line. In the first place, foreclosures became far fewer and further between; in the second place, the Life Insurance companies found it possible to unload, at the opportunity prices prevailing, great quantities of Real Estate which had been thrust upon them in previous and less happy days.

Some believe that the sub-normal position of this Real Estate line today should be construed as a warning signal to real estate holders—or, rather, to prospective buyers of Real Estate. They argue that the time to buy is when conditions are turning for the better, and not when conditions are at their best. They argue, further, that the Life Insurance companies would scarcely have carried their liquida-

(*Please turn to page* 480)



Here is depicted the fluctuations which have occurred in percentage holdings of all classes of investments by Life Insurance companies. Note the decline in real estate holdings, and the corresponding uptrend in holdings of mortgages and securities.

New York Stock Exchange

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-1922 High	Post-War Period 1919-1922 Low	1923 High	1923 Low	Last Sale June 27	Div'd $ per Share
RAILS:										
Atchison	125⅜	90¼	111¼	75	108½	91¾	105⅛	97⅜	97⅝	6
Do. Pfd.	106¼	96	102⅛	75	95½	72	90⅜	87½	90	5
Atlantic Coast Line	148½	102½	126	79⅞	124⅞	77	127	110⅛	112¼	7
Baltimore & Ohio	122¼	90⅝	96	88¼	60¼	27⅝	56½	40⅛	44	..
Do. Pfd.	96	77¼	80	48¼	66¼	38½	60⅛	55¾	57	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	160	140¼	147⅝	10
Chesapeake & Ohio	92	51⅛	71	35⅝	79	46	76⅜	57	57	4
Ches. & Ohio Pfd	..	..	..	..	105⅝	100⅝	104⅞	98¾	98¾	6½
C. M. & St. Paul	165⅛	96¾	107⅜	35	52¾	16½	26⅜	18⅛	18⅜	..
Do. Pfd.	181	130½	143	62½	76	29	45½	32⅛	32¼	..
Chicago & Northwestern	198½	123	136⅞	85	105	59	88	69	69	5
Chicago, R. I. & Pacific	..	..	45¾	16	50	22⅝	37⅞	25⅛	25⅛	..
Do. 7% Pfd	..	..	94¾	44	105	64	95	81½	81½	7
Do. 6% Pfd	..	..	80	35¾	93¼	54	85	72	72	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	124½	103	108¼	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	130½	110½	113	6½
Erie	61¼	33½	59½	18¾	21⅜	7	13⅝	10⅛	10⅝	..
Do. 1st Pfd	49¾	26¼	54¾	15⅛	33	11⅛	21⅝	15	18	..
Do. 2nd Pfd	39⅛	19½	45⅝	13⅛	23¾	7⅛	16½	10¾	13	..
Great Northern Pfd	157⅞	115½	134¾	79¼	100⅝	60	80	67¾	67¾	5
Illinois Central	162⅛	102¾	115	85¾	115¾	80⅞	117½	105	107	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	24⅞	17⅞	18¼	..
Do. Pfd.	75½	56	65½	40	59½	40	57¾	51	52⅜	4
Lehigh Valley	121¼	62½	87⅛	50⅛	72	39¾	71⅜	58⅛	58⅛	3½
Louisville & Nashville	170	121	141⅞	103	144⅞	94	155½	85½	89⅞	5
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¼	*¾	17	10½	10½	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	45½	25¾	26¼	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	19⅜	12⅝	12	..
Do. Pfd.	..	..	64⅞	37½	63¾	33⅛	49	34	32	..
N. Y. Central	147¾	90⅜	114¼	62½	101⅛	64⅛	104⅛	90½	98½	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¾	78½	68	‡73	5
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	12	22½	15	15⅛	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	30½	16	21⅝	15¼	15¼	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	125⅛	84¼	117⅜	102¾	102¾	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	81½	67	67¼	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	47⅝	42½	42½	3
Pere Marquette	*36½	*15	38⅛	9½	40⅝	12⅛	47¼	36	41	4
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	50⅝	33⅞	45	..
Reading	89⅝	59	115½	60⅛	108	60¾	81⅛	70	70	4
Do. 1st Pfd	46¼	41¼	46	34	61	32⅞	56½	45	45	2
Do. 2nd Pfd	58¾	42	52	33¾	65½	33¼	56¾	47	47	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	27	18½	18½	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	36⅜	26½	28½	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	95¼	85½	85½	6
Southern Ry	34	18	36¾	12½	33¼	17⅛	37¾	24¾	32⅝	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	70⅞	64	64⅞	5
Texas Pacific	40½	10¼	29½	6½	70½	14	29½	18	18	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	144⅞	128	129¼	10
Do. Pfd.	118½	79¾	86	69	80	61¼	76¼	71¼	‡71⅝	4
Wabash	*27⅞	*2	17½	7	14⅜	6	11½	8⅛	8¾	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	34⅛	23¼	27¼	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	22½	16½	‡17	..
Western Maryland	*56	*40	23	9¼	17¼	8¼	15	10⅛	9⅞	..
Western Pacific	..	..	25½	11	40	13¾	20¼	15	15⅝	..
Do. Pfd.	..	..	64	35	78	51½	63⅜	53	55	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	10⅝	7½	7⅛	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	82	68	71	5
Allied Chem.	..	..	..	..	91¾	34	80	62¾	65⅛	4
Do. Pfd.	..	..	..	..	115½	83	112	107	‡106¾	7
Allis-Chalmers	10	7⅝	49⅛	6	59¾	26½	51¼	38	38	4
Do. Pfd.	43	40	92	32½	104	67½	97½	91½	‡90	7
Am. Agr. Chem.	63⅝	33½	108	47¾	113¾	26½	36⅞	14¾	14¾	..
Do. Pfd.	103	90	103½	89⅛	103	51	68⅞	35¾	35¾	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	40½	31½	31¾	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	60	30	30	..
Am. Can	47⅜	6⅞	68½	19¼	76½	21¾	106	73½	87	5
Do. Pfd.	129¼	98	114½	80	113⅞	72	115	106¾	1	7
Am. Car & Fdy	76½	36½	98	40	201	84⅛	189	159	159	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	125⅞	119¼	120¼	7
Am. Cotton Oil	79¼	33½	64	21	67½	14¾	20¾	4⅞	5	..
Do. Pfd.	107½	91	102¼	78	93	33½	38¾	14	16	..
Am. Express	300	94¾	140½	77½	175	76	143¼	96	‡96½	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	13¾	6½	7½	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	74¾	38⅝	39	..
Am. Ice	..	..	49	8⅞	122	37	111½	88½	90	7
Am. International	..	..	62¾	12	132¼	21¼	33½	18¼	19½	..
Am. Linseed	20	6⅞	47¾	20	95	17¼	38	17	18⅞	..
Am. Loco.	74¾	19	98¼	46⅝	136¾	58	146⅜	120½	131½	10
Do. Pfd.	122	75	109	93	122¼	96½	122	115	‡115	7
Am. Safety Razor	..	..	..	..	22	3½	9⅛	4⅞	5¼	.25
Am. Ship & Com.	..	..	..	..	47½	4¾	21⅜	11⅜	11⅜	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	89¾	29¼	69½	53	53¾	5
Do. Pfd.	116¾	98¼	118⅛	97	109⅝	63¼	102⅜	93	93	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅞	32	33⅛	3
Do. Pfd.	..	..	..	..	107	78	105¼	98	98	7
Am. Sugar	136⅜	99⅞	126⅜	89⅛	148⅜	47⅝	85	65¼	65½	..
Do. Pfd.	133½	110	123½	106	119	67½	108¼	101	‡100	7
Am. Sumatra Tob.	..	..	145¾	15	120½	23¼	36⅜	16½	17⅛	..
Do. Pfd.	..	..	103	75	105	52¼	65¾	55⅜	..	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	128⅛	92⅛	125½	119⅜	120⅝	9
Am. Tobacco	*530	200	256	123	314½	104⅛	161⅛	140¾	140¾	12
Do. B	..	..	..	..	210	100⅛	159¾	140	140¼	12
Am. Woolen	40⅝	15	60⅞	12	169½	55½	109⅝	82¾	81¼	7
Do. Pfd.	107¾	74	102	72½	111¼	88½	111⅞	98⅝	99⅞	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	53½	39⅛	39¾	3
Associated Dry Goods	..	..	28	10	68¾	48	89	62¼	74	4
Do. 1st Pfd	..	..	75	50½	86	49⅞	89	82½	‡83	6
Do. 2nd Pfd	..	..	49½	35	91½	38	93½	88	‡85	7
At. Gulf & W. I.	13	5	147¾	4½	192⅜	18	34	13⅞	14½	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	27	9½	10½	..
Baldwin Loco.	60¾	36½	154½	26⅝	156¼	62¼	144¼	118¼	119	7
Do. Pfd.	107½	100¼	114	90	118	92	116¾	111	‡110	7
Bethlehem Steel B	*51⅝	*18¾	155½	59¾	112	41½	70	47⅛	47⅛	5
Do. 7% Pfd	50	47	186	68	108	87	97½	88¼	‡88⅜	7
Do. 8% Pfd	..	..	110½	92½	116⅜	90	111¼	100¼	‡101	8
Burns Bros. A	45	41	161½	50	147	76	144¾	122	122	10
Do. B	..	..	..	..	53	43	43	23½	24¾	2

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1922		1923		Last Sale June 27	Div'd $ per Share
	High	Low	High	Low	High	Low	High	Low		
Calif. Packing	..	..	50	30	87½	48¼	87	78¼	78¼	6
Calif. Petro.	72½	16	42⅜	8	71⅞	15¾	29⅜	20¼	20¼	7
Calif. Petro. Pfd	95½	45	81	29½	98½	63	110½	94¾	98⅞	7
Central Leather	51⅜	16⅛	123	25⅞	116½	22⅛	40½	21½	21½	..
Do. Pfd.	111	80	117½	94⅞	114	57⅛	79¾	60	60	..
Cerro de Pasco	..	..	55	25	67½	23	50½	38	38⅛	4
Chandler Mot.	..	..	109⅞	56	141¼	38¼	76	47¾	50	6
Chile Copper	..	..	39¼	11¼	29¼	7⅛	30⅜	24⅛	25	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	16⅜	31⅞	17	18¾	..
Coca Cola	..	..	..	..	82⅜	18	83⅜	72⅝	76	7
Colum. Gas & E.	..	..	54⅛	14¼	114⅞	39¼	114	93½	94¾	7.80
Columbia Graph	..	..	*166	*97	75¼	1¼	2⅞	¼	⅜	..
Consol. Cigar	..	..	..	..	80	13½	39⅜	18	20¼	..
Con. Gas	*165¼	*114⅛	*150½	*112½	*145¾	*71¼	69⅝	57	57½	5
Corn Prod	26½	7⅜	50½	7	134¼	46	139¼	122⅝	123	6
Do. Pfd.	98½	61	113½	58⅛	122¼	96	122⅜	116¼	117½	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	84½	63½	64⅜	4
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	20	10½	10⅝	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	37⅜	23½	25¼	..
Endicott-Johnson	..	..	..	..	150	44	94¼	63¼	63	5
Do. Pfd.	..	..	..	..	119	84	118	111	‡113½	7
Famous Players	..	..	..	..	123	40	93	70⅜	70¼	8
Do. Pfd.	..	..	..	..	107⅜	66	99¾	89	89	8
Freeport Tex.	..	..	70½	25¾	64⅜	9½	22	10	10	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	32½	54	25⅝	26⅞	..
Gen'l Electric	188½	129¾	187¼	118	190	109½	190⅛	170½	172¼	8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	17½	13¼	13¼	1.20
Do. 6% Pfd	..	..	99½	72¾	95	63	89	83	‡82	6
Do. 6% Deb	..	..	..	..	94¾	60	90	81¾	82¼	6
Do. 7% Deb	..	..	..	..	100	69	105	96½	96½	7
Goodrich	86½	15½	80¼	19⅝	93⅜	26⅝	41⅛	23½	23½	..
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	92½	83½	‡83	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	36	26¾	26¾	2
Houston Oil	25½	8¼	86	10	116½	40½	78	50	51¾	..
Hudson Motors	..	..	..	..	26¾	19½	32¾	20⅛	20⅞	2½
Hupp Motors	..	..	11¾	2½	26⅛	4⅝	29½	18	18¼	1
Inspiration	21⅜	13⅞	74¾	14¼	68⅞	28	43¾	27½	28½	2
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67¾	7⅛	11⅝	6	6	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	36	47	23¼	24	..
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	16¼	13	12⅜	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¼	58⅝	35⅝	35⅝	..
Invincible Oil	..	..	..	..	47¼	5½	19¼	9¾	10	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	62⅛	31½	32	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	108	96	96	8
Kennecott	..	..	64¼	25	43	14⅝	45	32	32½	3
Keystone Tire	..	..	46½	11	126¾	4¼	11⅛	4	4½	..
Lackawanna Steel	55½	28	107	26½	107¾	32	..	..	..	..
Lima Locomotive	..	..	..	..	65⅜	52	74⅞	58⅝	60⅛	4
Loews, Inc.	..	..	..	..	38⅜	10	21¼	14	14½	..
Loft, Inc.	..	..	..	..	28	7¾	11¾	6¼	6¼	..
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	30½	22½	23¼	2
Middle States Oil	..	..	..	..	71¼	10	12¼	6⅞	7¼	1.20
Midvale Steel	..	..	98½	80½	62¼	22	33⅜	24	25	..
Nat'l Lead	91	42½	74⅝	44	129¼	63½	136¾	111¼	112¾	8
N. Y. Air Brake	98	45	126	55⅞	145¾	45⅛	51½	46	‡47¼	4
N. Y. Dock	40¼	8	27	9¼	70¾	16¼	27	15⅝	‡17	..
North American	*87⅞	*60	*81	*38⅞	100¾	32¼	24¼	17½	19	2
Do. Pfd.	..	..	..	..	47¼	31⅞	48½	43	43½	3
Pacific Oil	..	..	..	..	69⅜	27½	48⅞	32½	34	2
Pan. Amer. Pet	..	..	70¾	35	140¼	38⅛	98½	64¼	65⅛	8
Do. B	..	..	..	..	111¾	34⅛	86	58½	60	8
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	50¼	41¼	43¾	4
Phillips Pet	..	..	..	..	59¼	16	69⅝	40	40	3
Pierce Arrow	..	..	65	25	99	9¼	15¼	6⅝	6⅞	..
Do. Pfd.	..	..	109	88	111	18⅞	35⅝	16	16	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	45	67⅞	58	60¾	4
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	81½	51½	‡53	..
Do. Pfd.	112	88½	109⅛	69	106	83	99¾	86	‡85	7
Punta Aleg. Sug	..	..	51	29	120	24¾	69¼	43	50⅞	..
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	32	16⅞	18	2
Ry. Steel Spg	54½	22¼	78½	19	126¼	67	123	104	104½	8
Do. Pfd.	113⅜	90¼	105½	75	120	92½	121½	115½	‡114¼	7
Ray Cons. Cop	27½	7½	37	15	27½	10	17¼	10½	10¼	..
Replogle Steel	..	..	..	..	93½	18	31¾	12½	13¼	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	66¾	41½	41⅝	..
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	96⅞	86	‡85¾	7
Royal Dutch N. Y	..	..	86	56	123⅜	40½	55⅛	42½	45	3.52
Shell T. & T	..	..	..	..	90¼	30⅞	41¼	33½	33½	.92½
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16½	39⅜	22¾	23½	2
Stand. Oil N. J.	*446	*322	*800	*355	*212	38⅜	44¼	31¾	32¼	1
Do. Pfd.	..	..	..	..	120	100⅛	118	115	116⅛	7
Stromberg Carb	..	..	45¼	21	118¼	22⅛	94¼	61⅛	61	7
Studebaker	49½	15¾	195	20	151	37¾	126⅜	99¼	99¾	10
Do. Pfd.	98⅛	64½	119½	70	118¼	76	116	112	116	7
Tenn. Cop. & Chem	..	..	21	11	17¼	6¼	12¾	8	9	1
Texas Co.	144	74½	243	112	57¾	29	52⅞	42	42	3
Tex. Pac. C. & O	..	..	..	..	195	15¾	24¾	10	10⅛	1
Tobacco Prod.	145	100	82⅜	25	115	45	61½	48¼	48¼	..
Transcontl. Oil	..	..	..	..	62⅝	5⅝	14½	5	5⅝	..
United Fruit	208½	126½	173	105	224⅞	95¾	183	152½	162½	8
Un. Retail Stores	..	..	..	..	119¼	43½	84⅛	64⅜	72	3½
U. S. Ind. Alco	57¼	24	171½	15	167	35¼	73¼	44	44	..
U. S. Rubber	59½	27	80½	44	143¾	40½	64⅞	49⅜	39⅜	..
Do. Pfd.	123½	98	115¼	91	119½	74	105	95¾	95¾	8
U. S. Smelt. & R.	59	30⅜	81½	20	78¼	26	43⅜	22	23	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	109⅝	90¼	90⅝	5
Do. Pfd.	131	102½	123	102	117½	104	123½	116¾	117½	7
Utah Copper	67½	88	130	48½	97½	41⅛	76½	58¾	58¾	4
Vanadium	..	..	..	..	97	25⅛	44⅝	26⅜	26⅞	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	20¾	27	6¾	6¼	..
Do. Pfd.	123½	62	115⅜	80	115⅞	57¾	69	17	17	..
Western Union	86¼	56	105½	83⅜	121¼	76	119½	104	104	7
Westinghouse Mfg	45	24¾	74⅞	32	59⅞	38⅞	67⅛	52⅞	54¾	4
White Motors	..	..	60	30	86	29¼	60⅞	45¼	45¾	4
Willys Overland	*75	*50	*325	15	40¼	4½	8½	5	5⅞	..
Wilson Co.	..	..	84¼	42	104⅞	27⅛	42¾	19	19	..
Woolworth	177⅜	76⅛	151	81½	223	100	243	199½	229	8

* Old stock. ‡ Bid price given where no sales made.

ANSWERS TO INQUIRIES

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CUBAN AMERICAN SUGAR
Dividend Outlook

The Cuban American Sugar Company's Directors at their June meeting did not take any action on the common dividend. It is my understanding that this company is making very handsome profits at the present time and the failure to declare a dividend seems rather surprising to me. Can you give me any idea on what the company will earn on the common stock in the current year and when dividend action can be expected?—W. S., Newark, N. J.

As conditions now stand in the sugar industry, Cuban American Sugar is likely to show as high as $8 a share earned on its one million shares of common stock in the current fiscal year. The company has not disposed of all of its sugar, but as the price of raw sugar is still around 5½ cents, it is in position to dispose of its stock at a very handsome profit should there be no important decline in price. Balance sheet as of September 30, 1922, showed a good financial condition with working capital around six millions. The company apparently is in position to start dividends on the common stock at any time and we believe that such action will be taken by the end of the year. In view of current earnings, a $4 dividend rate would be conservative, but it is generally believed that the regular rate will be less than this with additional payments in the form of extra dividends. The common stock has a book value of $40 a share. As the company was organized before the war when values were very low this is probably a fair valuation of assets.

A. I. NAMM & SONS 6s
Yield 6.1%

As a resident of Brooklyn I am acquainted with A. I. Namm & Sons store and have been impressed with the way their business has been growing. I am, therefore, considering making an investment in their 1st mortgage 6% bonds. What do you think of them?—S. R., Brooklyn, N. Y.

A. I. Namm & Sons $3,500,000 1st mortgage 6s due 1943 are secured by a first mortgage upon properties located in the center of the downtown retail section of Brooklyn, valued as of April 30, 1923, after depreciation, at $7,556,017 or $2,158 per $1,000 bond. Balance sheet as of April 30, 1923, shows net quick assets of $2,195,784. Earnings for the three years ended Feb. 1, 1923, have averaged 2.85 times the interest requirements of this issue. For the year ended Feb. 1, 1923, during which the profits reflected the increased business resulting from completed portions of the company's enlarged selling space, net earnings were 4½ times interest requirements on this issue. This is a well secured issue and we see no reason why you should not make the investment. At the offered price of 99 the yield is 6.1%.

HOW TO HANDLE YOUR SURPLUS FUNDS NOW

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as increasing its profits through control of all steps in the process, from mining the copper ore to producing the brass and copper goods. Its ownership of Chile Copper Co. gives it control of a vast body of ore which can be cheaply worked, estimated production costs being 8 cents a pound.

Because of the fluctuations in the copper industry, particularly since 1919, Anaconda's earnings have been fluctuating widely, although this tendency is expected to be less marked in the future. From 1914 to 1920, including the immensely prosperous war years, the company earned an average of $8.26 a share on the common; in 1921, as a result of the depreciation of its inventory stocks, it lost 17 millions, while last year it earned $1.18 a share and this year is earning at the rate of $6.

After the financing made necessary by the acquisition of the Chile and the American Brass properties, the capitalization stands at 174.7 millions of bonds and 30 million shares of common of $50 par value. Dividends have been paid on the common since 1900, at rates varying from 4 to 23%. In 1921, they were passed, however, and were resumed at the rate of $3 annually in February of this year.

According to the report as of December 31, 1922 (which does not make allowance for the 150 millions of bonds recently issued for the two new acquisitions), the company had 96.8 millions of current assets, of which cash and receivables amounted to 33.9 millions, while current liabilities amounted to 44 millions. The inclusion of receipts from the sale of bonds would undoubtedly have further improved the company's showing of liquid assets.

With such a strong financial position, a dominating place in a major industry, and greater stability indicated by its new extensions, the stock of the company yielding 7% is in a more attractive position than it has been for a long time.

AMERICAN CAR & FOUNDRY CO. COMMON

This company is considered by many to be the "leader" of the equipments, in the sense of volume and stability of business. While it is primarily a builder of freight cars, it has been diversifying its interests to some extent in recent years, doing repair work, construction of different kinds, and manufacturing a variety of products.

A moderately good earner before the war, the company benefited hugely from war orders, but with the restoration of peace showed its ability to make a good

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Current Bond Offerings

New Prospects Discussed

THERE was a large volume of new offerings of bonds during the past two weeks, more or less evenly divided between state and municipals, industrials and public utilities. There were few foreign or railroad issues. There was little change in the yields offered within the respective groups. Thus the average utility bond was issued on slightly over a 6% basis which is about the figure of the past few months, industrials averaged somewhere around 7% which is comparable to the rate that has existed for nearly a year and rates on municipal offerings varied from 4% to as high as 5¼%. The largest bit of financing was by the State of North Carolina which issued a note issue of $15,000,000 at 4.50%. It is probable that future issues of municipals will be comparatively limited in view of the fact that owing to a high state of prosperity in many parts of the country, taxation is being counted on to produce the necessary revenue. Also there is a distinct tendency in some districts to pay as they go, a situation which is heartily endorsed by THE MAGAZINE OF WALL STREET, which for some time has been pointing out the dangers of the extravagant tendencies of our municipalities, as a whole.

Owing to the fall in the stock market and subsequent reaction upon bonds, there has been a cooling of the public attitude toward new securities. It is probable that this disadvantageous situation will continue for some time.

On the money side, there is no cause for uneasiness as there are plenty of funds for investment. The Federal Reserve statements, in recent weeks, have been most reassuring.

NEW BOND OFFERINGS

	Amount	Off'd Yield (%)
STATE AND MUNICIPAL		
Syracuse, N. Y.	$1,023,000	4.00
North Carolina	15,000,000	4.50
Richmond, Va.	1,500,000	4.30
Kenosha, Wis.	500,000	4.30–4.40
New Jersey	500,000	4.10
PUBLIC UTILITY		
Memphis Power & Lt. Co.	$2,000,000	6.05
Carolina Power & Lt. Co.	2,500,000	6.15
Adirondack Power & Lt. Co.	1,250,000	6.05
San Joachin Light & Power Co.	2,500,000	6.05
Toledo Edison Co.	1,050,000	5.70
INDUSTRIAL		
Wheeling Stl. Corp.	$8,000,000	6.00
Pure Oil Co.	12,000,000	6.60
A. I. Namm & Son.	3,500,000	6.10
Beattie Sugar Co.	3,000,000	7.50
LAND BANK		
St. Louis Jt. Stk. Land Bk.	$1,500,000	4.62–5.00
Ohio Jt. Stk. Land Bk. of Cincinnati	1,000,000	4.62–5.00

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earnings showing on straight peace-time business, in spite of the poverty of the railroads, by earning an average of $24.09 a share in the four years from April 30, 1918-April 30, 1922. In the fiscal year just closed it is estimated to have earned above $13 a share, in spite of a relatively low carryover of orders from 1921-22.

The attractive feature of the company, however, is its enormously strong financial position. As of April 30, 1922, it had 48.6 millions of current assets, of which 6.8 millions were cash, 18.5 millions government securities, and 5.8 millions stocks and bonds of other companies at not more than the low market price prevailing at that time. Current liabilities were 11 millions, leaving a working capital well in excess of the total amount of common stock outstanding. The latter amounts to 30 millions, and together with an equal amount of preferred stock constitutes the entire capitalization of the company.

In addition, the company has set aside a common dividend reserve of 10.8 millions, enough to pay dividends at the current rate of $12 annually for three years. The reserve has been maintained at this rate since 1920, but has not had to be called on since. It constitutes an additional element of safety for the investor.

The stock at current prices around 160 yields about 7.5%. The risks involved are almost entirely of a market character, as the industrial position of the company seems assured.

WESTINGHOUSE ELEC. & MFG.

This company is one of the two largest factors in the electrical equipment industry, with a wide range of products varying from water-power installations to electric fans, and with customers all over the world. Its sales in the last five years have averaged around 130 millions annually, while its earnings have varied between $4 and $15 a share in the last ten years, except for the $2.31 shown in the poor year 1915. In the depression year ending March 31, 1922, the company earned $3.90 a share, while in the following year, ending last March, it earned $8.20.

At that date it had 106.9 millions in current assets, against 16.6 in current liabilities. Of the assets cash accounted for 7.8 millions, while receivables added another 30 millions. Since that time the company has sold an additional 15 millions of common to finance further expansion.

Common stock now outstanding amounts to 86 millions in par value, at $50 a share; there are 4 millions of 7% preferred (with a participating feature after both stocks have received 7%), and 36.2 millions of bonds. The common stock has steadily

increased its dividend payments from $1 a share in 1912 to the current rate of $4, yielding 7.3% at current prices around 55. **The stability of the company's business, further fortified by 77 millions' worth of unfilled orders, representing seven months' active operations, is a sustaining factor behind the common stock.**

YOUR BROKER

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audit the broker's books, so other methods of investigation must be employed.

Of course, if the small investor is in doubt a good way would be for him or any investor in fact, to buy stocks through his own bank. The bank will take your order and can be counted upon to deal with good houses and to see that the certificates are in proper form. Usually the bank will also lend you a reasonable amount on the securities which practically amounts to the purchase of the stocks on a marginal basis.

Of course, that does not answer the question of how to avoid bucket shops. It savors of the old advice: to avoid drowning stay away from the water.

But if your broker is perfectly willing to carry stocks for you at a very small margin, even importunes you to load up your account, you are pretty safe in saying: *This is a bucket shop.* No broker is anxious to use any more of his own capital in financing a client's affairs than is absolutely necessary. A bank will not lend 95 or more per cent on the current market value of active industrial or rail issues—nor on the inactive ones either for that matter. **So if the broker evidences anxiety to carry you on a 5-point margin, it is better for you to go somewhere else with your account.** The broker who exacts a liberal margin is the best friend a trader can have.

Other Practices

Persistent delay in obtaining reports as to the prices at which orders have been executed is another cause for suspicion. It may mean only lax methods, but lax methods may cause loss to the client and eventually lead to disaster for the firm. It is a common practice for bucket shops to delay reporting the execution of orders until they can obtain a line on the trend. If a stock is selling at 95 when an order is received and later goes to 96½, the bucket shop will report the stock as bought at 96½. If, however; the stock declines to 93½, the bucket shop will report the stock as having been bought at 95. The delay is only to the advantage of the bucketeer.

Another of the frequent practices of the bucket shop is to treat a client as though he were a particular friend and put him "into something good." The client will be informed that a certain stock looked particulary cheap during the day, and, being unable to get hold of the client, the broker purchased the little lot for him at a price which is always given as under the price at the time the good news is imparted.

In this way the client is induced to come

across with a little extra margin which is so much more velvet for the bucketeer.

No legitimate broker accepts discretionary orders. The broker is merely the agent of the client. If he is instructed to buy a certain stock at a certain price, he is supposed to use his best endeavors to do so. It can readily be understood that there might be only 300 shares of stock of United States Steel Common, for instance, sold in one day at the day's low price. At the same time ten different brokers might each have had orders to buy from 100 to 1,000 shares at that price. The most nimble of the brokers would succeed in executing his order. The others would be compelled to report to their clients that they had not succeeded. The bucketeer, however, always manages to "execute" an order at a certain price provided the tape shows that price.

Above all, write the word bucket shop after the name of any strange broker who calls you on the telephone either local or long distance, and, by pretending acquaintance or indirect contact through a mutual friend, endeavors to wheedle you into opening an acount with him or purchasing some particular securities. When a broker tries this with a stranger you don't have to go much further with your investigation. The telegraphic night letter containing inside information is another method used by the bucket shops as well as by swindling promoters to hook victims.

The next time you get a telegram of this sort—they frequently come collect, by the way, in order to impress you—inform the telegraph company that you will not pay for it and then send the telegram to your local District Attorney or the State Attorney General.

I have often wondered whether the telegraph and telephone companies are aware of the extent to which they have assisted and still assist in buncoing of the public by fraudulent promoters and by the bucket shops. Uncle Sam too, by the way, profits immensely through his postal receipts. Without the use of the telegraph, the telephone, and mail facilities, the bucket shops would not have flourished these past few years; the crooked stock swindler would never have distributed his fake stocks to every town and hamlet in the United States; the security market today would be in a far healthier position; business would have better support; the public would not have been afraid to trust a broker without regard to his connections or standing; hundreds of millions of dollars that have been dissipated in riotous living or used to set bootleggers up in business (that's what a number of our best known former bucket-shop keepers are engaged in now) would still be in the possession of the original owners. These millions of dollars would have been in banks. They would have been invested in businesses. They would have been in homes, and otherwise employed for the maintaining and extending of the prosperity of this country.

And, above all, it is safe to add, Knauth, Nachod & Kuhne and Zimmerman & Forshay would still have business, while your broker would still be enjoying the confidence to which very likely he is really entitled.

SCHOOL FOR TRADERS & INVESTORS

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100 shares and your loss on that part of the transaction would be $300, to which must be added the cost of the privilege, $150, making $450 in all—a 4½-point loss. If you still believed in Steel, you could just go into the market and buy 100 shares at 95. Theoretically, this seems like an advantageous transaction, but in practice over a period of time, it does not work. Most of the privileges which you would buy for protection would "run out" without giving you any profit, and in order to keep on protecting a trade of this kind month after month, you would have to pay an average of $150 a month or $1,800 a year, which is 18 points on 100 shares of stock. Thus, at the end of a year, unless you secured some special advantage during the life of one of the privileges, the cost of your stock would be marked up 18 points, or to 124. You would have to get that price to come out even.

Of course, there are times when the use of privileges is really advantageous if you just happen to hit it right. Suppose you have a twenty-point profit on a certain stock and you believe it should go on up; you could buy a privilege which would enable you to put (sell) the stock at, say, four points under the high market price, or perhaps five or six points, depending on the activity of the stock. For the usual consideration—so much per hundred shares—you would then be assured that even if the stock did decline ten or twenty points, you could get the bulk of your profit; meanwhile holding the privilege enables you to stay long of the stock and get the benefit of any further rise.

By using a stop order instead of a privilege for protection, if you have twenty points profit, you can place a stop two points under the market price which would assure you eighteen points. You could scarcely buy a privilege at so close a price; furthermore, you would not have to pay anything for the privilege of placing a stop order. Remember that the moment you buy a privilege (put or call) you add the cost of the paper to the cost of your stock. If the paper costs $150, you have taken that much out of your profit to start with.

There are of course a great many occasions when a put or call may be used with benefit. One of these is at a time when a stock which has been lying dead for a long time is expected to move ten, fifteen or twenty points in a certain direction. The dullness of the stock leads the privilege sellers to write their papers within a few points of the market price of the stock. Thus, if it be selling at 90, you might be able to secure a call at 92 or 93, good thirty days; and if it cost only $150 for 100 shares, the net cost of the stock to you would be 93½ to 94½. If the stock should rise to 105 there would be a good profit in proportion to the cost of the privilege.

When large operators anticipate a move of such a proportion, they are frequently found in the put and call market buying whatever privileges they can at the best

obtainable prices. Many of these run into thousands of shares and they are thus able to add to their lines without appearing as buyers on the stock exchange. A great deal of money is frequently made by this method.

But to answer your question specifically: We would much rather use close stop orders for the protection of trades than to use privileges for that purpose, because the average result at the end of the year would doubtless be more profitable in the case of stop orders.

I am thinking of moving to New York York and devoting my sole attention to playing the stock market. Am in comfortable circumstances and can get along for quite a while without making any money so long as I feel that I am making progress and adding to my knowledge of the subject. Do you believe I could get any better results by being on the ground and learning things at first hand? The facilities in this middle-western city are not very good for the purpose.

Your attitude toward the subject is all wrong. When you use the expression "play the market" we immediately get the idea that you look upon speculation as more or less of a gambling proposition. It is all right for you to think of "playing" bridge, or "playing" dominoes, or "playing" the ponies; but this is not a game in the same sense. In order to avoid having to walk back to your middle-western city, we suggest that you spend a few years in a thorough study of the problem, making trades on paper to demonstrate to yourself the value of any theories which you may now have. There are lots of books to be had on the subject, but they will not mean much to you unless you realize that scientific speculation is something that cannot be absorbed quickly nor superficially. You must lay a solid foundation, consisting of a thorough knowledge of principles, and you must follow this up by studying and practising persistently.

THE MODERN TREND IN REGULATION OF PUBLIC UTILITIES

(*Continued from page* 431)

fair valuation?" is now slowly being answered in the same way and by the same principles as the earlier decisions. In 1909, for instance, in the Consolidated Gas matter, the court held that franchises were to be considered as property in valuation for rate-making purposes, although they might have been granted by the city for nothing or for a nominal consideration. It was also held that the increased value of real estate caused by the presense of the utility, irrespective of the price at which the utility originally acquired it, should also be taken into consideration.

The development just described may be summarized as a series answers to the questions asked some paragraphs previously.

Q. What is a person? A. For the purposes of the 14th Amendment, a corporation is a person.

Q. What is deprivation of property? A.

(Successively) Confiscatory rates, unreasonable rates, rates below 5 (later 6, 7 and 8%) return, are deprivation.

Q. What is property? A. Among other things, franchise rights, increases in the value of real estate, severance land values, equipment at reproduction costs.

Q. What is due process of law? A. Rate-making by a commission after valuation to yield a given return, in such a way that both the return and the valuation can stand the test of principles enunciated by the Supreme Court.

The incomplete part of the series, at present, is, what is a fair valuation? While reproduction costs have been admitted to be an essential part of the "fair value," they have not been held to be the only element in valuation. No weighting has been assigned to reproduction cost as against other elements of valuation.

There is, for example, the "investment" or "cash sacrifice" theory of valuation—considering the amount taken out as profits against the amount put in as investment, with the idea of limiting returns to a reasonable rate. There is the "original cost" method, consisting of estimating the original cost of existing property without deduction for cost of property no longer existing. Another method is that of fixing the "market value," or what the property could be sold for, based on its proven or potential earning capacity.

Sooner or later, a choice or a combination of these and similar methods will have to be made, and the question of "fair valuation" settled and standardized in the same way as the question of "fair return" has been. **That this settlement will probably be favorable to the utilities is a fair deduction from the record of the courts in their relation to the companies.**

In the past few years, this tendency on the part of the courts has received a powerful reinforcement from the growing good relations between the companies and the public. The inflation period of 1919-1920 brought matters to a head. Many utility companies, faced by higher operating costs, and unable to obtain higher rates from the commissions, indirectly as a result of the state of popular feeling against them, were forced to the wall. Hundreds of miles of traction road were abandoned, and many companies were forced into bankruptcy or reorganization.

The necessity of making rates dependent on the welfare of the company, instead of upon mere prejudice, was made apparent as no amount of theorizing could have made it. Since then, the policy of a number of utility companies of floating new securities among a large body of small investors, particularly patrons, has also helped to foster mutual good feeling.

Less Friction in Prospect

It is therefore not a rash prophecy to state that the next step in the clarification of the status of the utilities, the fixing of a standard of valuation, will be accomplished with much less friction than the earlier ones.

Under whatever system is used, of course, rates will have to be flexible to allow for the possible return of such violent fluctuations in the general level of costs as occurred in 1920 and in 1921.

The result of the standardized valuation, however, in combination with a standardized rate of return, will undoubtedly be a tendency toward a greater stability of public utility earnings.

This has been the great aim of public utility legislation, in so far as it has been wise and reasonable, in the past, and the courts have done their share to make it possible by defining with increasing clearness the terms of the basic law. A public utility need not and should not share the risks of the average industrial and commercial enterprise, because of the fact that it is a quasi-public concern. In consideration of the legal monopoly it receives through its franchise, the company is willing to forego the possibilities of exceptionally high profits due to the essential nature of the services it renders.

The least it can expect in return, however, is a sort of assurance that it will not be compelled to suffer heavy losses, or even to have to employ its capital unprofitably. This assurance is now being gradually made possible through the action of the Federal courts, and behind them, the increasing good-will and understanding of the public.

UNITED DRUG CO.

(*Continued from page* 418)

it is expected that a new high record for the volume of business will be recorded this year.

In May 1923, dividends on the common stock were resumed at the rate of $6 a share. Earnings in 1922 were equivalent to roughly $5.75 a share, and a query which would naturally arise is, whether this policy of resuming dividends at the rate of $6 is not a bit liberal. The statistical records show that in times of active prosperity United Drug can earn enough to pay $6, and it is also a fact that the company is aggressively expanding its base of operations. Although economies have been effected in overhead, the opinion may be advanced that a further substantial growth in net earnings must result more from an expansion of gross business than from a larger margin of profits. It has been unofficially said that United Drug hopes to increase dividends above the $6 rate, but from a conservative viewpoint this would seem to be rather a speculative hope. At the time dividends were suspended in 1921, the rate was 8%. It does seem as if it would be assuming too much to think that United Drug is in the position conservatively to increase dividends above 6%, and in fact it cannot be conservatively stated that the $6 rate is a seasoned rate. The stock did not respond especially to the resumption of dividends. It had discounted some such development, and in addition, general market conditions have been against an advance to above the general level of 80. **If comparison is made with other dividend-paying issues from the standpoint of yield and safety of payments based on earning power, the conclusion would be reached that United Drug at current prices seems quite high enough.**

THE BANK EXAMINER—AN ASSET?

(*Continued from page* 442)

beneficial and is not likely to change in substance during the early future.

The Public and Examinations

How far may the public safely trust to examination of banks to protect its interests? This question is often asked and is always difficult to answer. Probably such confidence may be reposed in our examination system, taking national, state and Federal reserve operations together, in a higher degree than ever before, particularly in those large banks which are close to and under the direct supervision of a Federal reserve bank, is it true that examinations are fairly to be relied upon in keeping ordinary risks at a minimum. But it will always be true that the success of the examination system will depend a great deal upon the cooperation of stockholders and directors and that very much more information ought to be furnished to them than is usually supplied in ordinary bank examiners reports, even if this were accessible to them in detail, which (so far as stockholders are concerned) it is not.

WHAT'S WRONG WITH THE AUSTRIAN LOAN?

(*Continued from page* 403)

this issue, the 6½s, is on a 9.42% basis, in spite of the very short term the bonds still have to run, and it is not unfair to say that this would correspond to possibly 10-11% on bonds of as long a maturity, say an average of 20 years, as the others cited.

These four countries among them guarantee 94% of the debt, so that, in the last analysis, the investment status of the bonds can be no higher than the average of its guarantors. For the sake of convenience, let us tabulate the credit basis of the principal guarantors:

	Am't of Loan Guaranteed	Basis Credit	
Great Britain	24½	5.18%	
France	24½	8.00	
Czecho-Slovakia	24½	9.91	
Italy	20½	10.50	(estim.)

The average of the credit of four nations guaranteeing 94% of the Austrian bond issue is thus somewhat over 8%. We have seen that there are reasons for believing that it is possible that some time during the life of these bonds these guarantees may have to be called on. It appears that the average rating of the credit of the principal guarantors, for long terms, and in this market, is over 8%. It is clear that the new bond issue cannot expect to sell on much less than an 8% basis.

In the few days since the bonds were floated, they have already gone up on a when issued basis to 93 from an offering price of 90. At the higher price the yield

is about 7.69%, which on the above calculations would seem to be slightly overoptimistic.

Totally apart from the broad question of how much the loan is going to help Austria in its attempt to recover economic stability, the investment analysis of the Austrian 7s, as a medium for the investment of the small man's funds, shows that they are in the same speculative class as a number of other European governmental issues from which THE MAGAZINE OF WALL STREET has been steadfastly dissuading its readers for the last three years, to their great profit.

HOW MUCH HAS UTILITY COST SITUATION IMPROVED?

(*Continued from page* 432)

for expansion are limited, the earnings are steady and the outlook bright.

Changes in Gas Companies' Outlook

The gas companies are distinguished among public utilities by their particularly high proportion of operating costs to total costs. Their maintenance expenditures are no higher than those of the average manufacturing plant, with due allowance for repairs to mains, and their overhead is relatively small. The great items of expense are those that vary directly with the amount of gas required: coal, for instance, of which more has to be coked to supply a demand for a large quantity of gas, fuel to keep the coking furnaces going, and gas oil to enrich the gas by the addition of aromatic hydrocarbons.

This high proportion of operating costs, and its variability with variations in demand, renders the gas companies particularly vulnerable in times of rising prices, but by the same token gives them peculiar advantages in times of falling prices. This point can best be brought out, perhaps, by contrast with the hydro-electric companies' cost situation.

In a period of rising prices, the latter still have to pay roughly as much in one year as another for maintenance, and for interest on capital invested in construction and other overhead; they will, therefore, suffer only to the extent that they have to pay higher wages, which amount to a small part of their total costs. The gas companies, at the same time, will also have practically stationary maintenance overhead charges, but to them this type of cost is not so important as actual operating costs, in wages and materials, a rise in which will mean a proportionately high rise in total costs.

In a time like the present, however, with low prices prevailing and likely to continue in coal and gas oil (in common with all other descriptions of oil products), the gas companies benefit proportionately more from the declines than the hydro-electric companies. **Their earnings are apt to fluctuate more widely than those of other utilities, and at the present time the fluctuations are likely to be in favor of the operator, and hence of the investor.**

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

American Arch (8P)	165	—
American Book Co. (6)	85	— 90
American Type Founders (6)	76	— 78
Pfd. (7)	98	—100
American Thread pfd.	3¾	—4¼
Atlas Portland Cement (4)	68	— 72
Babcock & Wilcox (7)	103	—105x
Borden Co. (8)	116	—119
Pfd. (6)	102	—104
Bucyrus, pfd. (7)	102	—...
Celluloid Co. (6)	87	— 93
Childs Co. (8)	139	—141
Pfd. (7)	106	—109
Congoleum Co., 1st pfd.(7P)	99	—101
Congoleum com. (8)	204	—207
Crocker Wheeler (2)	45	— 55
Pfd. (7)	80	— 90
Curtiss Aero & M.	7	— 8
Pfd.	32	— 35
Jos. Dixon Crucible (8)	136	—142x
Gillette Safety Razor(12P)	†250	—260
Ingersoll Rand (8)	123	—...
New Jersey Zinc (8P)	148	—151
Niles-Bement-Pond	34	— 38
Pfd. (6)	75	— 85
Phelps-Dodge Corp'n (4)	165	—175
Poole Engineering (Maryland):		
Class A w. i.	20	— 26
Class B w. i.	9	— 14
Royal Baking Powder (8)	122	—130x
Pfd. (6)	98	—100
Safety Car H. & L. (6)	82	— 84
Savannah Sugar	60	— 64
Pfd. (7)	83	— 84
Singer Mfg. Co. (7)	114	—116
Superheater Co. ($6P)	111	—115
Thompson Starrett (4)	62	— 68
Victor Talking Mach. (8)	160	—166
Ward Baking Co. (8)	112	—119
Yale & Towne (4)	60	— 64

* Dividend rates in dollars per share designated in parentheses.
† Listed on N. Y. Curb Exchange.
P—Plus Extras.
x—Ex-Dividend.

TWO or three of the securities grouped in our Over-the-Counter list proved unable to resist the onslaught of liquidation which characterized other markets in the fortnight just ended, and gave ground as a result. The outstanding feature, from the standpoint of price-movement was Gillette Safety Razor which sold from 269 to as low as 240, a decline of 29 points.

Gillette's Decline

This Department is able, on good authority, to support the statements made by other agencies relative to the decline in Gillette, viz., that the movement reflected market conditions and had no bearing upon the affairs of the corporation. It may be stated that Gillette's earnings at the present time are running 20% ahead of the rate for 1922. Its sales in the United States and Canada alone, and without considering the European markets, give assurance that the desired record of 5-million razors and 25-million dozens blades for the current year will be attained. Sales at the rate specified would make the following comparison with results in previous years.

	Razor Sets	Extra Blades (Dozens)
1919	2,315,892	17,320,517
1920	2,090,616	19,051,268
1921	4,248,069	19,531,861
1922	3,420,895	24,082,970
1923	5,000,000	25,000,000

With earnings 20% in excess of 1922, it may be assumed that Gillette's profits available for the stock this year will approximate $30 per share, as against slightly more than $25 per share last year.

It should be noted that the decline to $240 per share in Gillette, referred to above, was followed very soon afterwards by a strong recovery, with the stock at this writing 13 points up from the low, at $253. The whole movement was based on transactions amounting to scarcely 1,000 shares.

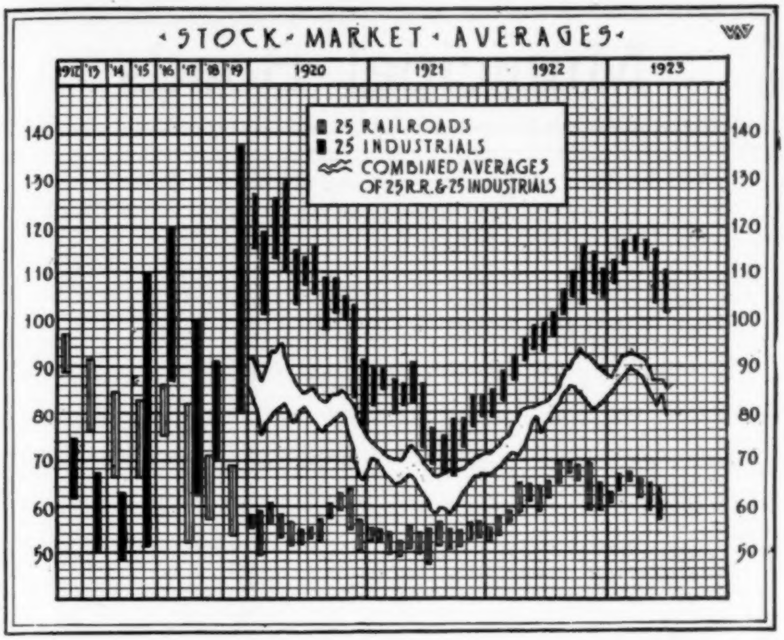
In view of the lengths to which liquidation seems to be going in other markets, this Department has no desire to jeopardize what happens to have been a pretty clean record as to recommendations by advising purchases, at this time, of issues selling as high as Gillette. It cannot be gainsaid, furthermore, that on the basis of its cash dividend rate of $12 per share, without considering stock dividend disbursements, this issue, at $260, offers a yield of less than 5%. The wise plan, at the moment, might be to postpone conclusions, at least for the time being, although nothing appears on the horizon, other than the downward tendency in the general market, to unsettle the confidence of the company's holders.

Superheater and American Arch

Other weak sisters in the over-the-counter market were New Jersey Zinc, which receded to as low as 147, Congoleum, which reacted to as low as 199, recovered to 217, and then had a secondary reaction to 204, and Thompson Starrett, which got as low as 66.

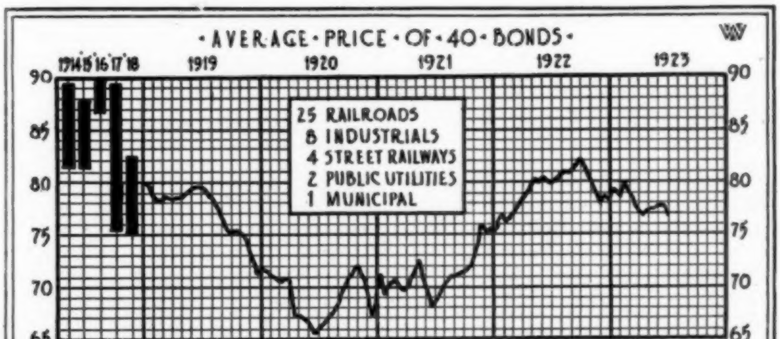
Comparatively strong features were the two issues particularly favored in recent analyses in this column—American Arch and Superheater. The former distinguished itself by a further sharp advance—probably the only price advance of any importance registered by any stock on the records during this

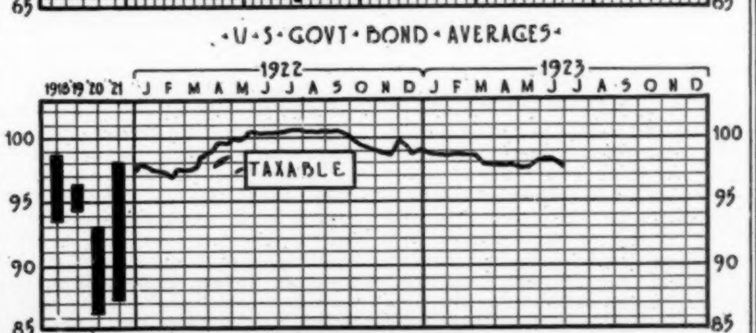
(*Please turn to page* 472)



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Friday, June 15......	77.60	94.86	83.65	85.25	84.56	782,185
Saturday, June 16....	77.60	94.73	83.48	85.01	84.72	239,250
Monday, June 18.....	77.32	92.64	82.14	84.55	82.89	973,610
Tuesday, June 19.....	77.04	92.76	81.74	83.46	82.37	1,122,900
Wednesday, June 20..	76.90	90.81	80.60	83.58	81.63	1,202,435
Thursday, June 21...	76.90	92.26	81.24	82.93	81.54	1,243,320
Friday, June 22......	76.92	93.55	82.40	83.79	82.86	676,925
Saturday, June 23....	76.91	93.30	82.43	83.98	83.52	240,720
Monday, June 25.....	76.70	91.48	81.46	83.55	82.25	665,625
Tuesday, June 26.....	76.57	90.11	80.23	82.27	80.66	1,025,775
Wednesday, June 27..	76.18	88.66	78.48	81.30	79.48	1,118,836
Thursday, June 28...	76.03	89.38	78.94	80.97	79.38	1,126,300





Municipal Bonds

HIGHER GRADE MUNICIPALS

		Rate Interest	Maturity	Approximate Yield
N	San Francisco, Cal	Reg 4½	July 1924	4.50
N	State of Texas	5	Feb. 1925	4.50
N	Jersey City, N. J	4	Aug. 1927	4.40
N	Jersey City, N. J	5	Dec. 1925	4.40
N	Grand Rapids, Mich	4½	Oct. 1924	4.25
N	State of Louisiana Pen	5	Jan. 1924	4.50
	Dallas Co., Texas Road Dist	5½	April 1925	4.60
N	Mississippi	4¼	Jan. 1925	4.50
N	Mississippi	4¾	May 1924	4.40
N	West Virginia	5	July 1931	4.35
N	Atlantic City, N. J	4½	July 1943	4.375
N	Philadelphia, Pa.	4	Feb. 1953	3.95
N	Bristol, Conn., Tax Exempt	5	Nov. 1939	109¼
N	Jersey City, N. J	Reg 4½	Oct. 1961	4.30
N	Detroit	5½	April 1943	4.40
N	Detroit	4¼ & 4½	1931-47	4.30
	Hoboken, N. J	Reg 4½	July 1933-36	100
	Jacksonville, Fla	5	April 1931	4.70
N	Bridgeport, Conn.	4¼	July 1926	4.40
N	Baltimore	Reg 5	April 1956	4.25
N	South Dakota	4¾	Nov. 15, 1942	4.50
N	North Carolina	4½	Jan. 1962	4.40
N	California	4¼	July 1953	100½
	Radford, Va.	5	Jan. 1953	4.70
N	Manchester, N. H	4	May 1924-43	4.25-4.20
	Charleston, W. Va	4	Sept. 1963	4.45
N	Cleveland, Ohio	4½	Sept. 1935-42	4.30
N	Illinois	4	May 1937	4.20
	Galveston, Texas	5	May 1925-40	4.70
	Norfolk, Va.	5½	Oct. 1951	4.65
	Columbus Schl Dist	6	Aug. 1944	4.50
	Kansas City, Kans	6	Aug. 1931	4.50
	Canton, Ohio	6	Oct. 1947	4.50
	Toledo, Ohio, Schl Dist	5¼	Feb. 1946	4.50
N	Oakland, Calif.	5½	Aug. 1930	4.50
N	Cleveland, Ohio	5½	1952-71	4.50
N	Detroit, Mich.	4	Sept. 1944	4.20
	North Bergen, N. J	5½	Dec. 17, 1923	4.90
N	Nassau County, N. Y	4½	June 1930-32	4.05
N	North Hempstead Schl Dist	5	June 1929-47	4.30-4.20
N	Sioux City, Iowa	4¾	May 1928-31	4.35
	Shreveport, La.	5	Feb. 1952	4.50
N	Atlantic City, N. J	Reg 4½	Jan. 1941	4.35
N	State of Michigan	4	July 1932	4.10
N	Providence, R. I., Water	4	Dec. 1962	4.00
N	New York City	4½	March 1963	4.22
N	New York City	Reg 4	Nov. 1955	4.20

N—Legal for Savings Banks in New York State.

OVER THE COUNTER

(*Continued from page* 470)

period—sales in the issue being reported at considerably above $165 per share as compared with the bid price two weeks ago of $150.

Superheater gave no evidence of being affected by the sort of liquidation noted elsewhere, its reaction being confined to the narrow limits of 2 or 3 points. Comparative strength in this stock may be attributed to the growing imminence of official action on this stock's dividend. The next dividend meeting will be held early in July and although even those in close association with the company may be described as doubtful as to what action will be taken, it is generally agreed that interesting results are in prospect. The company's high rate of earnings are basis for the belief that either a large cash payment, in the form of an extra dividend, will be forthcoming, or else that a series of extra-payments will be ordered payable during the year, or else that there will be a split-up of the stock. In any event, the buying demand for Superheater shares continues to be characterized as of the responsible variety, and under reasonably improved investment conditions in general the issue should respond to the accumulation of factors which have tended to strengthen its appeal in recent months.

U. S. INDUSTRIAL ALCOHOL CO.

(*Continued from page* 419)

that year, and was 37 last year. At present it is in the neighborhood of 50, or only 13 points up from the low of last year, and more than 20 points below the high of this year. Since the drop from the top prices there has been little talk of dividend resumptions and in fact little outside interest in the stock. Industrial Alcohol common is an issue which seems unable to attract and hold sustained attention. It will have a whirl of activity every once in a while and then go to sleep again. Rumors fly thick and fast for a time then suddenly stop altogether. It is an issue attractive solely to the regular bred-in-the-bone trader who tries to catch the tape and who talks of prices when he does not mean values. The writer, naturally enough, is not trying to draw inferences against the management but is simply recording the impressions gained in an endeavor to size up the possibilities, which the common stock may have as a medium. **In his opinion there are better issues even for speculation.**

HOW THE PENNSYLVANIA IS SECURING LABOR'S SUPPORT

(*Continued from page* 410)

opened for securities. The fact is, however, that the plan has been under official discussion for several years. In that time various schemes were put forward and rejected. The delay has been due solely to a desire to find a plan that would meet all requirements before going ahead, and approval to the present program was given by the Board of Directors last year.

The Largest List of Stockholders

Recent reports issued by the company show that it has the largest list of railroad stockholders in the country—in other words, the ownership of this particular road is more widely scattered than any other, with nearly three hundred thousand stockholders. It is known that employees represent a large portion of that total, but stock ownership is not by any means universal among the workers, even among some of the lesser officials. Some of those in touch with the demand from employees for a convenient and official means of employee association in ownership believe that eventually at least half the quarter million workers will take advantage of the new system, thus bringing the total number of stockholders up to nearly a half million individuals.

The effect, if this is achieved, in reducing to a minimum the problem of labor turnover can hardly be overestimated, in the opinion of company officials and of industrial experts not associated with the company. It will not only prevent the shifting of men to a large extent, but since it will stir the personal interest of the workers, once they become part owners, it will make them better workers, if experience in other industries is any criterion. Even those who do not take advantage of the stock and bond-buying features will be greatly benefited by the other phases of the association's program.

The Labor Viewpoint

It is interesting to note that announcement of the plan was made simultaneous with the speech of W. N. Doak, Vice-President of the Brotherhood of Railroad Trainmen before the Chamber of Commerce of the United States, in which he said: "Labor's interest in adequate financial support for the railroads must be apparent to all. . . . What could be of more importance to a working man than to know that his wages will be promptly and properly paid when due for service rendered? What of more interest to him than to know he is secure in his employment, that his wages will be fair, his conditions of employment good and wholesome, secure in his opportunity to lay away something for old age or sickness and assured of good treatment in his work? Added thereto is the pride that comes to every loyal employee in knowing that his employing company is prosperous. His interests are subordinate to none."

FIVE EDISON COMPANIES

(*Continued from page* 434)

ferred). The "Original" preferred participates ratably with the common after 7%, but the "Preferred" is a straight 7% issue. The "Original" preferred is quoted at approximately 114 to 117, but no active market exists for the "Preferred."

Earnings and Dividends

The earnings available for common stock dividends, as given in the table, have been calculated on the average amount of stock outstanding in each year. Although the figures would seem to indicate a degree of steadiness with little gain, it must be remembered that the companies have all increased their capital substantially, and the fact that earnings have kept pace with capital increases, in reality reflects actual proportionate increases in earning power.

Of the five companies, Brooklyn Edison has the most enviable dividend record. The present rate of 8% has been paid regularly and without interruption for a period of 20 years, dating from 1903; 6% was paid in 1901 and 1902 and 4½% in 1900. Commonwealth Edison having the next best record, having paid 8% since 1914; 7¼% in 1913; 7% in 1912; 6¾% in 1911; 6% in 1909 and 1910; and 5% in 1908. Detroit Edison has paid 8% from 1916 to date, 7% from 1911 to 1915 and 5% in 1910. Consolidated Gas Electric Light & Power, prior to 1913 (subsequent disbursements shown in table) paid 5% in 1912; 4¾% in 1911 and 4% in 1910, while Southern California Edison, prior to 1913, paid 5% in 1911 and 1912 and 3¾% in 1910.

Extra Disbursements

In addition to the liberal cash dividends stockholders of the various companies have been rewarded from time to time with "Rights" to subscribe to new stock as issued, which have had considerable market value. In the case of Brooklyn Edison, $10,000,000 new stock was offered last year to stockholders at par and in January of this year $15,000,000 was offered on the same basis. In each instance the rights had a value of several dollars per share, so that the actual yield on the stock for the past two years has been considerably above the regular $8 dividend rate.

Commonwealth Edison granted its stockholders the right to subscribe to $12,000,000 new stock on February 1, 1923, and at the annual stockholders' meeting held February 26, 1923, the authorized amount of capital stock was increased from $80,000,000 to $100,000,000, indicating that further subscription rights are likely to accrue to stockholders before the year is out.

Consolidated Gas of Baltimore and Detroit Edison have also both issued subscription rights this year. All the companies are planning large expenditures for additions necessary to take care of the ever increasing volume of business. A large part of this financing must be taken

(*Please turn to page* 476)

(*Continued from page* 474)

care of through the issuance of new securities, a large part of which will undoubtedly be first offered to common stockholders, with the attendant accrual of valuable rights.

Summary

To sum up, the writer is inclined to favor the purchase of Brooklyn Edison over the other issues. Its exceptionally long record of regularity in dividends and earning power have placed the stock on a sound investment plane. The territory served is growing at an unusually rapid rate and there is plenty of room for continued expansion. The management is capable and efficient. The stock enjoys a ready market on the New York Stock Exchange and at its present price of about 106 the return on the investment equals over 7½%.

BUSINESS INFLATION ENDED

(*Continued from page* 404)

pared with exports and, perhaps in a corresponding degree, to bring about a depressing influence on local business.

Activity of Credit

As prices have come to a standstill and as securities and stock values have likewise been halted, the tendency of the credit situation has been to decline in activity. This is shown by the lack of any material increase of business at reserve banks, or at most of the member banks, while the activity of credit itself, as revealed by debits to individual deposit account, illustrated in the accompanying diagram, has not increased beyond the general seasonal average.

There appears to be little reason for fearing the existence of an unduly inflated state of mercantile credit, indications from the interior of the country showing that collections are proceeding with reasonable regularity. Demand for goods has been substantial, as is revealed in retail trade indexes which point to a very considerable and acceptable volume of business practically throughout the country. Agricultural prospects continue to improve, the net outcome clearly being the maintenance of buying power in parts of the country which heretofore have perhaps been somewhat depressed so far as demand for goods is concerned.

The general business situation continues unmistakably good notwithstanding indications of weakness in financial markets. Money prices and the cost of credit have ceased to advance and have been brought about to a standstill. Some recession in the volume of production especially in staple lines has been noted, but the volume of output is good, retail trade is active, lending power is ample and the activity of credit satisfactory. Transportation facilities are greatly in demand although export shipments are disappointing and competition with imported goods severe. Immediate changes in the outlook now depend on agricultural yields which afford every indication of being good.

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STEADY MARKET FOR UTILITY BONDS

July Investment Demand Prospects and the Outlook for the Utilities

FOLLOWING the lead of bond markets generally, the market for unlisted public utility issues showed little change during the past few weeks. The market continues an uninteresting one, though, on the whole, prices generally show no declines to speak of. Bonds of the utilities are showing up better than both industrial and rail issues.

Prospects for July Investment Demand Not Thrilling

The traditional July investment market has been looked forward to with a great deal of interest as being likely to break the monotony for a time and a great deal of financing has been put recently probably intended to anticipate this factor. Notable in this respect was the $50,000,000 issue of the Illinois Bell Telephone Co. It is safe to assume on present indications that the usual July investment market this year will be nothing phenomenal and may be disappointing.

For the time being, it seems as if the upward tendency in the bond market has been checked. Firm money rates naturally mean lower bond prices and money rates now show no signs of easing off, but on the contrary, show an upward tendency. It is reported in well-informed investment quarters that, taking the number of recent offerings as a whole, they have not been taken as well as they might and dealers in many cases still have on their hands ample supplies of securities. This is another adverse factor, which, at least, for the immediate future, seems to preclude any upward movement in prices.

Utility Companies Prosper

Bearing out what has been pointed out many times in this column, the New York Branch of the Federal Reserve Bank has compiled statistics covering earnings of the major industries. In this compilation the public utility companies are all classed together. Assuming 100 as the basis of 1919 earnings, there has been a steady increase each year since then, and 162 would be the figure for 1922. Based on reports covering operations so far this year, 1923 will exceed this figure. The figures also show the railroads have increased their earnings, but the most significant thing is that practically all the other major industries, such as steels, equipments, automobile manufacturers, etc., show that 1922 was well below the 1919 figure.

Markets for all classes of securities may be headed for lower levels, but it should not be forgotten that public utilities this year on present indications will make the best showing since 1917, which was just about the time when mounting operating costs began to cut into earnings. Expanding demand for service, especially among the electric companies, is reflected in larger earnings, more than sufficient to offset increased fixed charges as a result of necessary new financing.

WHAT HAPPENS TO THE EIGHT BILLIONS OF OUR MONEY WHICH THE LIFE INSURANCE COMPANIES HOLD

(*Continued from page* 454)

tion so far had any further price-bulge been imminent.

The view has its own elements of conviction.

The Increase in Bond Holdings

As for the phenomenal advance in Insurance holdings of Bonds and Stocks, from 1915 on (which has brought such holdings to within an ace of the highest point ever held by Mortgage Loans), a convincing explanation of this phenomenon will be found in No. 4. In words: The very elements which have sent private capital—the wealth of individual men and women—scurrying away from taxable securities and into the sweet refuge of tax exemption, have evidently made themselves felt in Life Insurance affairs. At any rate, the great portion of the increases shown in holdings of Bonds & Stocks is directly traceable to a larger investment in Government, State and Municipal bonds, which investment in 1921 amounted to one and four-tenths billions of dollars, as compared with only one-seventh as much 10 years before.

Little is to be said about this development, beyond what has been suggested above. It marks, certainly, no diminution in the safety element underlying Life Insurance holdings of Bonds & Stocks; indeed, if experience means anything, and so long as taxes remain collectible, it marks a corresponding increase in that safety element.

The Advance in Mortgage Loans

The advance in Mortgage Loans is equally interesting. It has not been carried very far (comparatively speaking) to be sure, but far enough to be of real, out-and-out investment significance.

No doubt, an important factor in the recent expansion of Mortgage Loans has lain in the powerful efforts some of the largest insurance companies have made to help supply our millions of really homeless people with the living quarters to which they are entitled. In this work, the outstanding leader, of course, has been the great Metropolitan Insurance Co.—that billion dollar organization, whose chief executive, Mr. Haley Fiske, has been sincerely called "the Jupitor of the Insurance Heavens," by no less a confrere than Darwin P. Kingsley. I have some figures before me which indicate that the Metropolitan has well over four hundred millions of dollars invested in Mortgage Loans today.

The item "Mortgage Loans," of course, is not confined to city, or "urban" real estate. On the contrary, the Life Insurance companies from the beginning have distributed their mortgage loans about half-and-half between the city and the country.

Chart 5 shows what the tendency has

been as regards the farm-mortgage half of Mortgage Loans. Note the decline in 1919, and the new high record struck in 1922, in which year over 1.4 billions of dollars appear to have been invested in farm mortgages, or over twice the Farm Mortgage holdings of 8 years before.

Mr. William Kingsley, Vice-President of the famous old Penn Mutual, has brought out an interesting point in connection with life insurance participation in farm mortgages. He says:

"As an illustration of the vital assistance given by the insurance companies, it may be stated that during the year 1921, the life insurance companies made new farm loans aggregating over three-hundred and four million dollars. During the same period, the Federal Farm Loan Banks throughout the country loaned approximately ninety-one million dollars, and the Joint Stock Land Banks slightly over nine millions—a total of about one hundred million, or about one-third of the amount invested by the insurance companies. The recent activity of the Joint Stock Land Banks has provided an additional element of competition, both as to the amount per acre loaned and the rate of interest obtained."

Some Conclusions

Chart 6 is the last one which the reader is asked to consult. It shows, as of December 1921, the comparative percentage holdings of various types of investment, as contrasted with the year 1911.

Here you will note the same increase in Mortgage Loans as that referred to above; also, that amazing increasing in holdings of Government, State and Municipal bonds. You will note what has not been brought out before, viz., the declining tendency in corporation securities, very pronounced in the case of the railroads and little less pronounced in the case of the others.

The whole Chart gives you a quick picture of the investment ramifications of the insurance world today.

One is led to three conclusions by the exhibits as we have studied them here. **First, that the keynote of Life Insurance Company investments is conservatism—safety—a minimum hazard.** This, of course, reflects creditably upon the strength of the institutions, at the same time that it provides a practical object lesson in the science of investing money.

Secondly, one is impressed by the progressive elements which evidently shape Life Insurance commitments as those commitments have been reflected here. The companies (as, of course, they would be) are evidently awake to their opportunities and quick to take advantage of them.

The third, and last, conclusion which our study suggests, is the most deep-seated of all.

It is the conclusion that our Life Insurance Companies have become a source of credit whose beneficiaries, direct and indirect, include every man and woman we have and embrace each and all of our industries. On this subject:

"The part that life insurance plays in practical economics is inestimable," says Frederick L. Allen, General Solicitor of the Mutual Life of New York. "The

billions of accumulated funds in the hands and under the control of life insurance companies represent in reality public wealth held as security for the faithful discharge of promises made and obligations incurred and, in addition, represent a vast amount of economic security resulting from the successful elimination of a risk inherent in the uncertainty of life. The accumulation of these vast sums is in large measure the result of a struggle for economic independence and cultivates a habit among people to save and thereby thrift, frugality and temperate living are encouraged. This accumulation is not idle capital but stands for public wealth in the truest sense of the word. It is wealth made available for the conduct of the world's business. It lends itself to active enterprise and secures other social and economic ends. By necessity, the insurance companies must see to it that the assets of which they are the custodians shall be employed in profitable enterprises and the national prosperity and the social security of the people thereby materially increased.

"These billions of assets may be likened to the seed from which, through germination, the ripened fruit is grown. These benefits grow and increase with the wise and equitable management of these great companies. These benefits accrue not only to the individual policyholder, but to the community at large, and are a source of protection and security, if you will, to the State and to the Nation."

WHAT THE CHICAGO STOCK MARKET OFFERS

(*Continued from page* 417)

operations, but its boosters, of whom there are many, have managed to derive sufficient nourishment from their knowledge of its really immense scope, and the prominence and great wealth of the interests associated with it.

It is probably unnecessary to point out that Union Carbide, among a host of other products, manufactures or deals in gas and electrical apparatus, iron, steel, manganese, copper and aluminum, electric batteries, starters, lamps and machinery, oxygen, hydrogen, nitrogen and other "air products." Among its subsidiaries are the National Carbon Co., owning the business of the famous American Eveready Co., Linde Air Products, the Prest-O-Lite Co., etc., etc.

Union Carbide at the close of 1922 valued its total assets at $213,000,000. It had a net working capital of almost $63,-000,000, of which inventories composed a little less than 60%. In 1922 it earned 11.7 millions of dollars for its stock, or the equivalent of $4.40 per share.

The parent corporation has no funded debt, although the bonds of subsidiary companies amount, roundly, to 8 millions. Capital stock outstanding consists of no less than 2,827,468 shares, out of a total authorized of 3 million, of no par value. The profit and loss surplus, as of December 31, last, stood at 66.5 millions of dollars.

In recent years, Union Carbide has

ranged as follows: 1917, 40¼-58; 1918, 47½-69; 1919, 55⅛-85⅞; 1920, 45-78; 1921, 40-60; 1922, 44-65.

The common stock at this writing sells around 53, offering a yield at the current $4 rate of about 7.54%. In view of the small margin earned over and above dividend requirements last year, the due conservatism with which the market evidently looks upon the issue appears quite understandable. **The writer's tendency would be toward delaying commitments in Union Carbide, especially in view of the uncertain tone of prices in general.**

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
6%	All Amer Cables...	1½%	Q	6-30	7-14
—	Amer Chain Cl A..	50c	—	6-20	6-30
$4	Amer Coal of Alleg	$1.00	Q	7-10	8- 1
6%	Amer Gas & El pfd	1½%	Q	7-12	8- 1
$1	Amer G & El com.	25c	Q	6-18	7- 2
—	Amer G&El c (stk)	1/50 sh	—	6-18	7- 2
8%	Amer Shipbldg com	2%	Q	7-14	8- 1
$5	Amer Sm & Ref c.	$1.25	Q	7- 9	8- 1
$7	Amer Sm & Ref pf	$1.75	Q	8-10	9- 1
$3	Amer Stl Fndries c	75c	Q	7- 2	7-14
$4	Am WW&El par pf	$1.00	Q	8- 1	8-15
$7	Am WW&El 1st pf	$1.75	Q	8- 1	8-15
7%	Austin-Nichols pfd.	1¾%	Q	7-16	8- 1
8%	Bayuk Bros 2nd pfd	2%	Q	6-30	7-15
7%	Bayuk Bros 1st pfd	1¾%	Q	6-30	7-15
$2.40	Beechnut Pack com	60c	Q	6-30	7-10
7%	Beechnut P pfd B.	1¾%	Q	6-30	7-14
$8	Borden Co com...	$4.00	Q	8- 1	8-15
7%	British Em S 1st pf	1¾%	Q	7-13	8- 1
3%	Canada Southern..	1½%	SA	6-29	8- 1
$6	Cent Aguirre Sugar	$1.50	Q	7-20	7- 2
—	Cent Aguirre Sugar	$5.00	Ext	6-20	7- 2
$6	Cent C & C com..	$1.50	Q	6-30	7-15
$5	Cent C & C pfd..	$1.25	Q	6-30	7-15
$6	Chandler M Car...	$1.50	Q	6-20	7- 2
5%	C St P M & O com.	2½%	SA	8- 1	8-20
7%	C St P M & O pfd.	3½%	SA	8- 1	8-20
6%	*Cities Service com	½%	mo	7-15	8- 1
15%	†Cities Service com	1¼%	mo	7-15	8- 1
6%	Cities Service pfd B	½%	mo	7-15	8- 1
$7	Coco Cola com.....	$1.75	Q	6-15	7- 1
$7	Coco Cola pfd.....	$3.50	Q	6-15	7- 1
$2.60	Col Gas & Elec....	65c	Q	7-31	8-15
—	Corn Pdts Ref com	$1.50	Ext	7- 3	7-20
$6	Corn Pdts Ref com	$1.50	Q	7- 3	7-20
$7	Corn Pdts Ref pfd	$1.75	Q	7- 3	7-14
$7	Cont Can pfd......	$1.75	Q	6-20	7- 1
$4	Crucible Steel com.	$1.00	Q	7-16	7-31
7%	Crucible Steel pfd.	1¾%	Q	6-15	6-30
$4	Cuyamel Fruit.....	$1.00	Q	6-15	6-28
$8	Detroit Edison.....	$2.00	Q	6-20	7-16
$4	Dome Mines.......	$1.00	Q	6-20	7-20
$2	Edmunds & Jones c	50c	Q	6-20	7- 1
—	Edmunds & Jones c	50c	Q	6-20	7- 1
7%	Edmunds & Jones p	1¾%	Q	6-20	7- 1
5%	Eisenlohr & Bros c	1¼%	Q	8- 1	8-15
$8	Famous P-Lasky c.	$2.00	Q	6-15	7- 2
$8	Famous Players pfd	$2.00	Q	7-16	8- 1
$4	Gen Refractories...	$1.00	Q	6-23	7-14
$8	Guantanamo S pfd.	$2.00	Q	6-15	7- 2
12%	Hollinger C Gd M	1%	mo	6-28	7-16
—	Ind Pneu T (stk)..	100%	—	6-23	7- 2
7%	Inter Cement pfd..	1¾%	Q	6-15	6-30
6%	Inter Tel & Tel....	1½%	Q	6-27	6-15
—	Island Creek C com	$3.00	Ext	6-22	7- 2
$8	Island Creek C com	$2.00	Q	6-22	7- 2
$4	Jones Bros Tea com	$1.00	Q	7- 2	7-16
7%	Jones Bros Tea pfd	1¾%	Q	6-25	7- 2
7%	Kansas G & El pfd	1¾%	Q	6-21	7- 2
—	Laclede Gas Light c	$3.50	Ext	6-25	7- 5
$4	Marland Oil.......	$1.00	Q	6-20	7- 1
12%	Mid States O (stk)	3%	Q	6- 9	7- 1
—	Mid States O (stk)	1%	Ext	6- 9	7- 1
$3	Moon M Car com..	75c	Q	7-16	8- 1
—	Moon M Car pfd...	25c	Ext	7-16	8- 1
$4	N Y A Brake new c	$1.00	Q	7- 9	8- 1
$4	N Y A Brake new p	$1.00	Q	9- 7	10- 1
12%	Nippissing Mines...	3%	Q	6-30	7-20
8%	Otis Elevator com..	2%	Q	6-30	7-16
6%	Otis Elevator pfd..	1½%	Q	6-30	7-16
$6	Pacific G & El com	1½%	Q	6-30	7-16
$8	Panhandle P&R pfd	$2.00	Q	6-22	7- 2
$6	People's G Lt & C	$1.50	Q	7- 3	7-17
$4	Phelps Dodge......	$1.00	Q	6-20	7- 2
$3	Postum Cereal com	75c	Q	7-20	8- 1
$8	Postum Cereal pfd.	$2.00	Q	7-20	8- 1
$8	Schulte Ret Sts com	$2.00	Q	8-15	9- 1
8%	Stern Bros pfd....	2%	Q	8-15	9- 1
$7	Tobacco Pdts pfd..	$1.75	Q	6-18	7- 2
$6	Union Bag & Paper	$1.50	Q	7- 6	7-16
$2	United Shoe M com	50c	Q	6-27	7-12
$2	West Penn Co com	50c	Q	6-15	6-30
6%	Wt Penn Co cum pf	1½%	Q	8- 1	8-15

* Cash. † Stock.

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SAVING MADE MORE PROFITABLE
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BUILDING AN INCOME WITH GUARANTEED BONDS
A booklet free of cost about bonds free from worry! It shows the way to financial independence and can be read in ten minutes. (255)

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Issued by the oldest first mortgage house in Chicago. It explains how to invest savings at the highest interest rate consistent with safety. (256)

THE OKMULGEE BUILDING & LOAN ASSN.
A booklet describing a real estate security which embraces safety, a dependable income—a tax free investment—State supervision — and yielding 9%. (257).

A GRAPHIC GUIDE TO INVESTMENTS
A highly instructive circular for the careful and discriminating investor who investigates a security before placing his funds. (263)

WHY THE SOUTH OFFERS INVESTMENT OPPORTUNITIES
This pamphlet explains briefly and clearly why it is that the South of today is one of the most attractive sections of the United States in which to invest and why it is that Southern investments yield an average of 1% more interest, with equal safety. A distinct opportunity for investors is described in an understandable manner. (264)

HOW TO SELECT SAFE BONDS
It took 38 years to write this important investment book, now free to every investor. Ask for booklet. (267)

PROFIT SHARING BONDS
A booklet describing how a security has returned 92½% to bondholders in slightly over 9 years. (268)

JULY INVESTMENT LIST
Issued by an old established bond house listing Municipal, Railroad, Equipment, Public Utility, Industrial and Foreign Government Bonds. They offer conservative investors a wide range of choice of sound securities with liberal income return. (270)

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The best review of Canadian securities published. It gives authoritative detailed information on 53 standard Canadian securities, yielding from 5 to 7½%. (271)

A TIME SAVER FOR BOND HOLDERS
A loose-leaf security record for recording income tax data, interest payment dates, maturities, yield, taxable status, etc. Binder & loose-leaf forms furnished on request. (272)

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A 24-page book showing price range (high and low, 1906 to date), tax status, maturity, interest dates, call place (if any), income values, yields of the active bonds listed on the New York Stock Exchange. (273)

U. S. RUBBER
A complete survey of the premier Rubber Mfg. Company. (274)

RADIO, THE THIRD YEAR
A history of the growth and expansion in this fascinating field during the past 3 years. Also contains a list of the radio and wireless stocks. (276)

STEWART WARNER SPEEDOM TER CORP.
A complete analysis of this company, compiled by a member of the N. Y. Stock Exchange. Of great interest at the present time due to the stock's market position. (277)

A QUESTION ANSWERED
An extremely interesting illustrated booklet explaining how a stock exchange firm handles out of town business. It shows how orders are treated from the time the letter arrives to the final placing of the certificates purchased. (278)

INVESTMENT SUGGESTIONS
contained in a market letter published by an old established stock exchange firm. Discriminating investors should have their name on this list permanently. (279)

THE GROWTH OF SINCLAIR
A 12-page booklet which explains the remarkable growth of this well-known Company from its organization seven years ago. (280)

ELECTRIC BOND & SHARE CO.
Send for interesting market letter on this company. (281)

BROOKLYN EDISON CO.
This company is compared with four similar companies in interesting folder. Send for 282.

SOLVING INDIVIDUAL INSURANCE PROBLEMS

(Continued from page 429)

FOR A SINGLE MAN, AGE 39

As a subscriber of your Magazine, would you kindly advise me in the line of insurance most suitable for one of my years and circumstances? I am 39, single, and earn approximately $2,000 a year, providing we have work steady, as my work is such that the pay is based on an hourly rate. I have a policy from the John Hancock Life Insurance Co. of this state which will mature in December, 1925, and will pay me around $2,500.

I own real estate valued at $1,500 and with Liberty Bonds, War Saving Stamps and stocks and bank account, I have including all mentioned in this letter about $9,500. My policy is so near maturity, I would like to take out another policy but do not know just what would be best. I was thinking that one which covered sickness, etc., would be good, but I've read in the Magazine that one should ask the Insurance Department questions, if he has any, and I am therefore writing to you.—J. J. F., Springfield, Mass.

We presume that the policy you have is an endowment taken out by you in 1905 and maturing at the end of 20 years for $2,500.

As you are a single man under 40, and have evidently been careful in your mode of life, we would suggest another endowment policy which would furnish an old-age income to you, commencing either at age 60 or at age 65. Such policies have been described in the pages of THE MAGAZINE OF WALL STREET, and probably you have observed the articles. If you have The Magazine on file, you can readily refer back to them. To provide an income of $300 a year (payable $25 per month) would call for an annual premium of about $170 from age 39 to age 60. The income would be fixed for ten years certain and would continue for your life thereafter. Each premium would be subject to reduction from dividend earnings, and the policy would have a guaranteed cash value on attaining the age of 60 of $3,720.00.

You will observe that under a policy of this character, your maximum premiums would be less than $3,600.00 and these premiums would be reduced by dividends annually. Nevertheless, the guarantee to you on survivance to age 60 would be no less than $3,720, so that as a thrift proposition as well as a mode of protection for any beneficiary to whom you may wish to bequeath the proceeds, the contract is a more desirable one.

THE TWENTY-PAYMENT ENDOWMENT

I will be much obliged for your advice on my life insurance problem. I am carrying no insurance now but expect to take out some in the near future. I am 23 years of age, single and have an income of twelve hundred a year with good prospects of advancement. What kind of policy and amount would you recommend?

One of the leading agents in this vicinity advises me to take out a 37-year 20-payment endowment policy with a premium of about $31 per thousand and carrying a dividend of about three dollars. What is your opinion of this plan?—W. M. C., Bruin, Pa.

I think you are right in planning to take out some life insurance in the near future. The premiums are low at your age and it is usually easy to pass the necessary medical examination in youthful manhood. The policy you outline—an

(Please turn to page 486)

BANK STOCK REFERENCE TABLE

NATIONAL BANKS

Name	Dividend Rate $	Par Value	Book Value Dec. 30, 1921	Book Value Dec. 29, 1922	Market $ Per Share June 1st, 1923 Bid	Asked
American Exch..........	15 Q J	$100	x$255	x$258	290	296
Battery Park............	6 J & J	100	197	177	190	195
Bronx	10 J & J	100	221	214	150	160
Butch's & Drvs.........	8 Q J	100	145	141	132	139
Chase	A 20 Q J	100	x205	x210	342	347
Chatham Phoenix........	16 Q J	100	217	‡189	250	255
Chemical	24 Bi-mo J	100	450	461	536	544
City	B 20 Q J	100	x253	x228	343	348
Coal & Iron.............	12 Q J	100	187	191	215	225
Commerce	C 12 Q J	100	235	250	288	291
East River..............	12 J & J	100	175	180	204	214
Fifth	9 Q J	100	171	‡194	235	245
First	D 40 Q J	100	x518	x616	1200	1210
First Nat., B'klyn.......	E 12 Q J	100	279	296	320	355
Garfield	F 12 Q M	100	253	265	260	270
Gotham	12 Q J	100	206	202	185	192
Hanover	24 Q J	100	810	‡517	680	690
Harriman	G 10 J & J	100	278	260	340	350
Importers & Tr.........	H 24 Q J	100	667	676	770	...
Mechanics & Met........	J 20 Q J	100	265	272	390	395
Nassau Nat.............	K 12 Q J	100	252	261	225	...
Nat. American...........	....	100	152	152	140	150
Park	24 Q J	100	329	339	415	422
People's Nat............	8 J & J	100	266	287	165	...
Public	16 Q J	100	221	‡242	295	300
Seaboard	L 12 Q J	100	266	‡277	360	370

(A) Includes $4 paid by Chase Securities Corporation. (B) Includes 2% and 2% extra paid by National City Co. quarterly. (C) 4% extra Jan., 1923. (D) 10% extra paid by First Securities Corp., Jnuary, 1923. (E) 2% extra January, 1923. (F) 3% extra January, 1923. (G) 5% extra July, 1922, and 5% extra January, 1923. (H) 6% extra January, 1923. (J) 2% extra July, 1922, and 2% extra January, 1923. (K) 3% extra January, 1923. (L) 2% extra January, 1923. (‡) Capital increased during year.

TRUST COMPANIES

Name	Rate $ Dividend	Par Value	Book Value Nov. 15, 1921	Book Value Nov. 15, 1922	Market $ Per Share June 1st, 1923 Bid	Asked
American	6 Q J	$100	$142	‡$155	S	...
Bankers	20 Q J	100	202	225	352	355
Bank of N. Y. & Tr. Co...	20 Q J	100	...	396	465	470
Brooklyn	24 Q J	100	285	313	470	485
Central Union...........	24 Q J	100	249	256	470	475
Commercial	6 Q J	100	152	134	110	125
Empire	C 12 Q J	100	206	210	310	320
Equitable	12 Q J	100	237	*231	189	192
Farmers L. & T.........	24 Q F	100	353	401	520	530
Fidelity—Int'l	10 Q J	100	213	*224	200	210
Fulton	D 10 J & J	100	240	250	250	260
Guaranty	12 Q J	100	166	171	258	262
Hudson	10 Q J	100	250	*261	205	215
Irving Bk. Col. Tr. Co...	....	100	...	...	220	224
Kings County...........	40 Q F	100	695	776	800	...
Lawyers T. & T.........	E 8 Q J	100	251	*271	190	198
Manufacturers	G 12 Q J	100	200	*210	270	...
Metropolitan	16 Q M 31	100	271	290	290	300
Midwood	....	...	157	160	155	165
New York..............	20 Q J	100	270	277	339	343
People's	20 Q J	100	244	‡277	390	...
Title Gr. & Tr...........	K 12 Q J	100	326	‡301*	365	370
U. S. Mtg. & Tr........	M 16 Q J	100	244	247	307	315
United States...........	50 Q J	100	889	923	1220	1230

(C) 1% extra July, 1922; 4% December 30, 1922. (D) 2% extra January, 1923. (E) 2% extra July, 1922; 2% January, 1923. (G) 2% ertxa October, 1922. (K) 4% extra June 30, 1922; 3% January, 1923. (M) 4% extra January, 1923. (S) See N. Y. Title & Mortgage Co. (‡) Capital increased during year. (*) Book value figured on old capital.

(*Continued from page* 484)

Endowment at age 60, by twenty annual payments, affording insurance protection to a beneficiary up to your sixtieth year and maturing as an Endowment for its face value to yourself if you are alive at age 60—is an excellent policy, and the premium quoted of $31 per $1,000 (presumably less dividend) is about what the rate should be. I should advise a policy of $5,000. Under a *non-participating* contract, you could obtain a 35-year endowment maturing at age 58, for a premium of about $28 per $1,000. You could thus estimate the cost over the premium-paying period at the guaranteed net rate, and receive the proceeds of the Endowment two years earlier.

Under the *participating* policy, if it were not necessary to use the dividends to reduce the cost of the premium, you could accumulate the annual dividends, leaving with the company to accumulate at interest to be payable with the face amount of the policy at maturity, thus building up a nice addition to the principal sum.

WHEN UNCLE SAM ENTERS THE FORECASTING BUSINESS

(*Continued from page* 401)

course, cannot predict the future with absolute accuracy any more than any one else, assumes to state with substantial positiveness what is likely to happen to prices or production or consumption at a future time. So far as such predictions have been made, they have been almost uniformly disastrous, with the exception of a few lucky guesses. The public is inclined to accept them in an undiscriminating way, trades on the basis thus provided, and is of course bitterly disappointed when the outcome does not coincide with what has been looked forward to. All this is doubly to be regretted because the effect of making public such forecasts necessarily is that of hurting someone, the information militating against the interests of seller or buyer as the case may be, provided that it is taken as true, and hence bringing about a different situation as a result of the action produced by it.

The power to forecast has now, however, become practically an article of political faith, and recent inquiries have shown that the effort to get the forecast system abolished is for the present at least out of the question. In the case of agriculture, the opinion has been frequently and definitely avowed by officials of the Government that it protects the farmer and enables him to charge higher prices than he could otherwise get. Experience and analysis of the figures has shown that this is not the case, but the belief remains and is widely entertained by legislators, so that an early rectification of the policy would probably be out of the question. The effort, however, of all who want to see a development of fair dealing and equity in commercial matters must be that of drawing a sharp line between the collection and publication of statistical facts by the Government and the dissemination of conjectures or forecasts which have no positive basis in fact.

COLUMBIA GAS & ELECTRIC COMPANY

*COMPARATIVE CONSOLIDATED EARNINGS STATEMENT

	Five Months Ending May, 1923	Increase Per cent Over 1922	1922	1921
Gross Earnings......	$7,933,062.66	16.21	$18,592,693.62	$15,232,963.51
Net Operating Earnings and Other Income	5,003,968.71	20.52	10,892,083.53	9,783,151.19
Balance after Rentals and Interest Charges	3,082,398.03	30.45	5,081,600.93	4,303,535.80

*COLUMBIA GAS & ELECTRIC COMPANY and subsidiaries controlled through 100 per cent stock ownership or lease. Other Companies in the system are included under "Other Income," only to the extent of cash dividends received.

The group of companies controlled by Columbia Gas & Electric Company, (including the leased properties) had outstanding in the hands of the public at December 31, 1922, $165,730,368.33 par value of securities, consisting of $54,316,568.33 Bonds and Debentures, $46,227,600.00 Preferred and Common Stocks entitled to dividends at fixed rates specified in the various leases, and $65,186,200.00 Common Stock. The market value of these securities, based on quotations at that date, amounted to more than $167,200,000.00.

The total Gross Earnings of all the above companies, constituting the system operated by Columbia Gas & Electric Company, for the year 1922, amounted to $35,322,086.75. Net Earnings for the above period, after eliminating inter-company transactions, were $16,427,445.43.

REORGANIZATION
OF THE
Denver and Rio Grande Western Railroad System

A Plan and Agreement dated June 15, 1923, for the Reorganization of the Denver and Rio Grande Western Railroad System, under which Kuhn, Loeb & Co. and The Equitable Trust Company of New York will act as Reorganization Managers, has been approved and adopted:

(a) by the Committee representing holders of First and Refunding Mortgage Five Per Cent. Gold Bonds of The Denver and Rio Grande Railroad Company and of certificates of deposit for such bonds, of which John Henry Hammond is Chairman, constituted under a Deposit Agreement dated July 31, 1922;

(b) by the Committee representing holders of First and Refunding Mortgage Five Per Cent. Gold Bonds and Seven Per Cent. Cumulative Adjustment Mortgage Gold Bonds of The Denver and Rio Grande Railroad Company and of certificates of deposit for such bonds, of which James H. Perkins is chairman, constituted under a Deposit Agreement dated as of January 31, 1922;

(c) by the Committees representing holders of First and Refunding Mortgage Five Per Cent. Gold Bonds and Seven Per Cent. Cumulative Adjustment Mortgage Gold Bonds of The Denver and Rio Grande Railroad Company and of certificates of deposit and deposit receipts representing such bonds, of which Richard Sutro is Chairman, constituted under Deposit Agreements dated respectively as of October 5, 1922, and January 24, 1922.

Holders of certificates of deposit or deposit receipts issued under any of said Deposit Agreements, who shall not exercise any right of withdrawal under the Deposit Agreement under which such certificates of deposit or deposit receipts were issued, will, when said Plan and Agreement shall become binding and conclusive on holders of certificates of deposit and deposit receipts issued under such Deposit Agreements respectively, become parties to said Plan and Agreement without the issue of new certificates or receipts or any stamping of such certificates or receipts. Holders of such certificates or receipts may, however, at any time present their certificates of deposit or deposit receipts to the Depositary or one of the Sub-Depositaries under the Deposit Agreement under which said certificates or receipts were issued to be stamped as assenting to said Plan and Agreement.

Holders of First and Refunding Mortgage Five Per Cent. Gold Bonds of The Denver and Rio Grande Railroad Company not heretofore deposited under any of said Deposit Agreements may become parties to said Plan and Agreement by depositing their bonds and coupons **on or before August 1, 1923,** at their election either

(a) under the Deposit Agreement dated July 31, 1922, constituting the Committee of which John Henry Hammond is Chairman, with any of the following:

BANKERS TRUST COMPANY, New York City, Depositary;
FIRST TRUST AND SAVINGS BANK, Chicago, Ill., Sub-Depositary;
PROVIDENT TRUST COMPANY, Philadelphia, Pa., Sub-Depositary;
MERCANTILE TRUST COMPANY, St. Louis, Mo., Sub-Depositary;
THE INTERNATIONAL TRUST COMPANY, Denver, Colo., Sub-Depositary;
PIERSON & CO., Amsterdam, Holland, Sub-Depositary;

(b) under the Deposit Agreement dated as of January 31, 1922, constituting the Committee of which James H. Perkins is Chairman, with any of the following:

THE FARMERS' LOAN AND TRUST COMPANY, New York City, Depositary;
THE MERCHANTS LOAN AND TRUST COMPANY, Chicago, Ill., Sub-Depositary;
THE NATIONAL BANK OF COMMERCE IN ST. LOUIS, St. Louis, Mo., Sub-Depositary;
BANKERS TRUST COMPANY, Denver, Colo., Sub-Depositary;
THE NATIONAL COPPER BANK, Salt Lake City, Utah, Sub-Depositary;
HOPE & CO., Amsterdam, Holland, Sub-Depositary;
THE FARMERS LOAN AND TRUST COMPANY, LTD., 15 Cockspur St., London, England, Sub-Depositary;

(c) under the Deposit Agreement dated as of October 5, 1922, constituting the Committee of which Richard Sutro is Chairman, with either of the following:

THE AMERICAN EXCHANGE NATIONAL BANK, New York City, Depositary;
ROTTERDAMSCHE BANKVEREENIGING, Rotterdam, Holland, Sub-Depositary.

Holders of Seven Per Cent. Cumulative Adjustment Mortgage Gold Bonds of The Denver and Rio Grande Railroad Company not heretofore deposited under any of said Deposit Agreements may become parties to said Plan and Agreement by depositing their bonds and coupons **on or before August 1, 1923,** at their election either

(a) under the Deposit Agreement dated as of January 31, 1922, constituting the Committee of which James H. Perkins is Chairman, with any of the following:

THE FARMERS LOAN AND TRUST COMPANY, New York City, Depositary;
THE MERCHANTS LOAN AND TRUST COMPANY, Chicago, Ill., Sub-Depositary;
THE NATIONAL BANK OF COMMERCE IN ST. LOUIS, St. Louis, Mo., Sub-Depositary;
BANKERS TRUST COMPANY, Denver, Colo., Sub-Depositary;
THE NATIONAL COPPER BANK, Salt Lake City, Utah, Sub-Depositary;
HOPE & CO., Amsterdam, Holland, Sub-Depositary;
THE FARMERS LOAN AND TRUST COMPANY, LTD., 15 Cockspur St., London, England, Sub-Depositary;

(b) under the Deposit Agreement dated January 24, 1922, constituting the Committee of which Richard Sutro is Chairman, with either of the following:

THE AMERICAN EXCHANGE NATIONAL BANK, New York City, Depositary;
ROTTERDAMSCHE BANKVEREENIGING, Rotterdam, Holland, Sub-Depositary.

Holders of certificates of deposit issued under the Deposit Agreement dated August 2, 1915 (under which The New York Trust Company is Depositary), under the Deposit Agreement dated May 28, 1917 (under which Bankers Trust Company is Depositary) or under the Deposit Agreement dated June 1, 1917 (under which The New York Trust Company is Depositary) all of which agreements have expired, or have been terminated, must, in order to be entitled to the benefits of said Plan and Agreement, obtain in exchange for their certificates of deposit, certificates of deposit subject to said Plan and Agreement. Arrangements for such exchange may be made through any of the Depositaries or Sub-Depositaries above named.

All securities deposited must be in negotiable form and registered bonds must be duly endorsed in blank for transfer or be accompanied by proper transfer in blank, duly executed. All bonds must bear all unpaid appurtenant coupons maturing on and after October 1, 1921, except that Refunding Bonds may be deposited without the coupon of February 1, 1922, if such coupon has been sold.

Deposits of bonds must be made on or before AUGUST 1, 1923, after which date no deposits will be received except upon such terms and conditions as the Reorganization Managers may determine.

Copies of the Plan and Agreement dated June 15, 1923, may be obthined from any of the Depositaries or Sub-Depositaries under said Deposit Agreements or from the Reorganization Managers.

Dated, New York, June 21, 1923.

KUHN, LOEB & CO.
THE EQUITABLE TRUST COMPANY OF NEW YORK
Reorganization Managers